



BOARD OF DIRECTORS MEETING MINUTES

Date and Time

April 16, 2020, 12:30 p.m.

Location

Meeting conducted electronically due to the social distancing restrictions in place for the COVID-19 virus.
Anchor Location: UAC/UCIP Offices, 5397 S Vine St, Murray, Utah

Directors Participating Electronically via GoToMeeting

Bruce Adams, *President*, San Juan County Commissioner
William Cox, *Vice President*, Rich County Commissioner
Karla Johnson, *Secretary/Treasurer*, Kane County Clerk/Auditor
Alma Adams, Iron County Commissioner
Deb Alexander, Davis County Human Resources Director
Blaine Breshears, Morgan County Sheriff
Dean Cox, Washington County Commissioner
Christopher Crockett, Weber County Attorney
Scott Jenkins, Weber County Commissioner
Jim Kaiserman, Wasatch County Surveyor
Bob Stevenson, Davis County Commissioner
Mark Whitney, Beaver County Commissioner
Mike Wilkins, Uintah County Clerk/Auditor

Directors Absent

All Board Members participated electronically.

Officers Participating Electronically

Johnnie Miller, UCIP Chief Executive Officer
Sonya White, UCIP Chief Financial Officer

Others Participating Electronically

Alex Getts, UCIP Education & Training Specialist
Mary Jean King, By the Numbers Actuarial Consulting Principal and Accounting Actuary

Call to Order

Bruce Adams called the meeting of the Utah Counties Indemnity Pool's Board of Directors to order at 12:30 p.m. on April 16, 2020 and welcomed those participating.

Review/Excuse Board Members Absent

Jim Kaiserman made a motion to excuse Alma Adams and Mark Whitney from this meeting. Dean Cox seconded the motion, which passed unanimously. Adams and Whitney joined the meeting shortly after being excused.

Review/Approve February 20, 2020 Meeting Minutes

The draft minutes of the Board of Directors meeting held February 20, 2020 were previously sent to the Board Members for review (see attachment number one). Karla Johnson made a motion to approve the February 20, 2020 Board of Directors meeting minutes as presented. Bob Stevenson seconded the motion, which passed unanimously.

Ratification/Approval of Payments and Credit Card Transactions

Karla Johnson made a motion to table agenda item: *Ratification/Approval of Payments and Credit Card Transactions* until the next meeting. Jim Kaiserman seconded the motion, which passed unanimously.

UTAH COUNTIES INDEMNITY POOL

5397 S Vine Street, Murray, UT 84107-6757
(801)565-8500 ucip.utah.gov

Ratification of US Bank Card Limit

Karla Johnson explained that the day traveling to the AGRIP Governance Conference, Johnnie Miller's US Bank card was compromised. Johnson reported that Sonya White was able to increase the limit on the US Bank card issued in her name to \$15,000 in order to cover charges for lodging and other expenses at the Conference (see attachment number two). Johnson recommended to ratify the. Karla Johnson made a motion to ratify the limit increase of the US Bank Card and authorize the limit remain in place in the event of a similar situation in the future. Mike Wilkins seconded the motion, which passed unanimously.

Review/Approve 2019 Actuarial Reserve Analysis

Mary Jean King, Principal and Accounting Actuary, By the Numbers Actuarial Consulting, presented the draft 2019 Actuarial Reserve Analysis (see attachment number three). King reported that as of December 31, 2019 estimated required reserves at the expected level are \$8,840,000. King explained the process utilized to come to the estimated reserve amount for the Board. Changes to ultimate losses for prior years decreased \$1.3 million. Estimated ultimate losses for the current year (2019) totaled \$800,000 resulting in a total reduction of \$410,000 in ultimate losses from the prior year end. Alma Adams made a motion to approve the 2019 Actuarial Reserve Analysis as presented. Mike Wilkins seconded the motion, which passed unanimously.

Review/Approve 2019 Financial Audit

Karla Johnson explained that pursuant to the Audit Committee meeting with the independent auditors of Larson and Company, the draft 2019 audit of financial statements (see attachment number four) are presented to the Board for review. Johnson reported that the auditor opined that the financial statements present fairly, in all material respects, the financial position of the Pool. The Statement of Net Position (page 10) presents current assets of \$19,328,838 that includes a total of \$18,249,460 in cash, short term investments, long term investments, capital contributions (CRL equity including a \$647,196 increase from the prior year) and owned property and equipment. Liabilities present reserves at \$8,940,196, the expected reserves presented by the actuary and the unallocated loss adjustment expense. The total Net Position of the Pool is \$8,817,931, a change of \$2,846,732 from the prior year. Johnnie Miller explained that the Pool's net contribution to net assets is at a level to be monitored based on the Net Asset Management Policy. Miller will present leverage ratios to the Board at their next meeting. Johnson reviewed the Statement of Revenues, Expenses and Changes in Net Position (page 11) with the Board. Total operating income totaled \$7,198,273, an increase of \$629,658 from the prior year and 103% of budgeted. Underwriting expenses, which includes paid losses, decreased \$560,893 from the prior year (73% of budgeted). Administration expenses increased \$59,527 from the prior year but was at 95% of budgeted. A new note to financials states the uncertain impact COVID-19 may have on the Pool. Johnson reported an internal control finding in the claim system records. Management has implemented additional procedures to reduce or eliminate errors in the recording of payments in the claims system. Mike Wilkins made a motion to approve the reimbursement of mileage for the secretary/treasurer of the Board to review invoices on a monthly basis. Scott Jenkins seconded the motion. Dean Cox amended the motion to approve a member traveling on a monthly basis, with the reimbursement already being covered under the current Reimbursement Policy. Scott Jenkins seconded the amended motion, which passed unanimously. Mike Wilkins made a motion to approve the 2019 Financial Audit as presented. William Cox seconded the motion, which passed unanimously.

Review/Approve Claim Deterioration Fund Amount

Johnnie Miller reported that in conjunction with the actuary's reserve analysis the Board has traditionally reviewed the amount allocated to the Claims Deterioration Fund based on the actuarial estimations. Miller explained that if the Board would like to increase the confidence level, higher than what is expected to be booked on the financial statements, they would need to determine a number higher than the \$8,840,000 (55% confidence level). Currently the Board has reserved \$430,000 in the Claim Deterioration Fund. Mary Jean King noted that the COVID-19 pandemic affects were not considered in the actuarial estimates. Miller reported that hundreds of claims regarding COVID-19 related losses were being filed daily throughout the insurance industry, noting the Pool should expect to see claims filed against counties and member health departments. Miller stated that he is confident any such claims would be dismissed in court based on emergency immunities but would cost approximately \$25,000 each to defend. Dean Cox made a motion to increase the amount reserved in the Claims Deterioration Fund to \$660,000. Scott Jenkins seconded the motion, which passed unanimously. Miller explained that the additional amount to the Fund will bring the Board's confidence level to approximately 85% or reserves at \$9,500,000.

Review/Approve First Quarter 2020 Financial Statements

Sonya White reviewed the first quarter 2020 unaudited financial statements with the Board (see attachment number five). White provided a comparison on the Balance Sheet (Statement of Net Position) showing first quarter ending 2020, year ending 2019 and first quarter ending 2019. Current Assets totaled \$17,899,302 at quarter end compared to \$14,642,536 at year end. Long Term Investments totaled \$1,592,647 compared to \$553,520 at year end due to Zions Wealth Advisors reinvestment from cash to investments. Capital Contributions consist of County Reinsurance Equity (membership \$2,883,889 and property plus program \$513,240) totaling \$3,397,129. Current Liabilities include the expected level, pursuant to the actuarial reserve analysis, for incurred but not reported losses of \$4,882,244, losses of \$3,963,452 and unallocated loss and loss adjustment expenses of \$94,500 for a total of reserves for losses and loss adjustment expenses of \$8,940,196. Unearned contributions total \$5,187,857 at first quarter ending. Assets/Liabilities total \$23,624,126 with a Net Position of \$9,022,806. White reviewed the Income Statement (Statements of Revenues, Expenses and Changes in Net Position with the Board. At the year 25% complete, the first quarter 2020 is trending at operating income at 25%, underwriting expenses at 24% and administration expenses at 24%. The fair value of investments decreased \$30,941. The total change in net position from year end 2019 for the first quarter ending 2020 is \$204,875. The Statement of Cash Flows provide the Board with the cash affects during the reported period. White reported all statements at quarter end are in balance. Mike Wilkins made a motion to approve the first quarter 2020 financial statements as presented. Deb Alexander seconded the motion, which passed unanimously.

Review/Approve Bylaws Coverage Addendum

Johnnie Miller presented on updates to the Bylaws Coverage Addendum, which added a clarifying Communicable Disease Exclusion Amendment (see attachment number six). Miller reported that the property insurance industry is concerned about the impact of COVID-19, noting that the most common claims to date are business interruption claims by businesses that have ceased operations. Miller reported that business interruption claims are covered, but only when there is damage to a business's building which causes the reduction or cessation of business. Miller reported that this required County Reinsurance, Limited (CRL) to make clarifications to their policies in response to the COVID-19 pandemic, specifying that covered physical loss or physical damage to property must be the cause of any suspension of operations to trigger the Business Interruption coverages. Miller reported that this endorsement was required to be included in CRL's members coverage agreements by July 1, 2020 or the Pool would have no reinsurance coverage for claims of this nature. Scott Jenkins asked if there were any requirements to notify the members of this change prior to it going into effect. Miller indicated that while there is no requirement to notify the members prior to making the change, the Board could make the change effective a few weeks out to allow staff to notify members of the change. Miller reiterated that the endorsement only clarifies an exclusion already in place and does not exclude coverage the members have now. Mike Wilkins made a motion to approve the Bylaws Coverage Addendum as presented effective May 31, 2020. Jim Kaiserman seconded the motion, which passed unanimously.

Review/Approve County Related Entities Membership

Mike Wilkins made a motion to strike agenda item: *Review/Approve County Related Entities Membership*. Dean Cox seconded the motion, which passed unanimously.

Set Date and Time for Closed Meeting

Deb Alexander made a motion to strike agenda item: *Set Date and Time for a Closed Meeting to Discuss Character, Professional Competence, Physical/Mental Health of an Individual*. Dean Cox seconded the motion, which passed unanimously.

Action on Personnel Matters

Deb Alexander made a motion to strike agenda item: *Action on Personnel Matters*. Dean Cox seconded the motion, which passed unanimously.

Set Date and Time for Closed Meeting

Christopher Crockett made a motion to Set Date and Time for a Closed Meeting to Discuss Pending or Reasonably Imminent Litigation on Thursday, April 16, 2020 at 1:55 p.m. Jim Kaiserman seconded the motion, which passed unanimously. Board Members participating in the closed meeting were: Bruce Adams, William Cox, Karla Johnson, Alma Adams, Deb Alexander, Blaine Breshears, Christopher Crockett, Dean Cox, Scott Jenkins, Jim Kaiserman, Bob Stevenson, Mark Whitney and Mike Wilkins. Also present were: Johnnie Miller, Sonya White, and Alex Getts.

The regular meeting resumed on Thursday, April 16, 2020, at 2:00 p.m.

Action on Litigation Matters

Christopher Crockett made a motion to hire Frank Mylar to assist member county attorneys in responding to the ACLU writ with the Utah Supreme Court. Alma Adams seconded the motion, which passed unanimously.

2019 WC Insurance Dividends

Sonya White presented a summary to the Board regarding the WCF Insurance dividend amount issued to the membership, noting each Member county received 10% of their premium paid (see attachment number seven).

2019 URS Compliance Report

Sonya White presented on the 2019 Utah Retirement Systems (URS) Compliance Report (see attachment number eight). White reported that URS found no areas of noncompliance.

Training and Workshop Plan

Johnnie Miller requested the Board's input on the Pool's training and workshop options in response to the COVID-19 pandemic. Miller noted that all trainings have been postponed until further notice but questioned whether county personnel would have the ability to attend workshops for the remainder of the year. Alma Adams asked if webinars were a viable alternative, with Miller confirming that was a possibility. Bruce Adams noted that San Juan County has asked all employees to abstain from nonessential travel due to budgetary constraints and surmised other counties would follow suit. Dean Cox recommended canceling all trainings for 2020, with the intention of bringing them back in 2021. Deb Alexander favored Cox's suggestion, adding that many personnel will find their time constrained. Miller thanked the Board for their direction and indicated trainings would at the very least be significantly reduced for the remainder of 2020, with staff putting a strong emphasis on online training and the possibility of conducting an online Risk Management Workshop later in the year.

Board Strategic Planning

Sonya White presented on the plan for the Board Strategic Planning meeting to be held in June. White reported that in light of the COVID-19 pandemic, nothing had been cancelled but wanted to get the Board's direction on whether to hold the meetings, noting that the Board Meeting would still need to be conducted. Bruce Adams spoke in favor of cancelling the Strategic Planning session, noting that all employees of San Juan County have been directed to discontinue any out-of-county meetings. Dean Cox and Mark Whitney both indicated inability to attend as planned due to health concerns. Alma Adams asked if it were possible to postpone the Strategic Planning session until the fall. Jim Kaiserman seconded the proposition to postpone the planning sessions until the fall, if circumstances permitted. Johnnie Miller reiterated that the Board would still need to meet in June and that, if possible, it would be good to reschedule the Strategic Planning sessions. Alma Adams made a motion to cancel the June Strategic Planning Sessions, with the intention to hold them later in the year if possible. Jim Kaiserman seconded the motion, which passed unanimously.

Chief Executive Officer's Report

Johnnie Miller reported that County Reinsurance Limited's (CRL) Lloyd's of London trip to England in March had been cancelled due to the COVID-19 pandemic. Miller had been scheduled to attend that trip but is in rotation to attend the rescheduled meetings in 2021. Miller reported that CRL's total equity stands at \$31,307,000 which has benefitted the CRL membership and particularly members of the CRL Property Plus program, including UCIP. CRL's structuring of investments resulted in a limited investment loss resulting from the COVID-19 pandemic. Miller explained that CRL would be opening up an opportunity for members to contribute additional capital into the Property Plus Program for the 2020-2021 property reinsurance policy year. Members intending to increase their contributions must notify CRL of their intent by June 1. Miller informed the Board that he is hesitant to recommend that the Board contribute more at this time due to current conditions with the COVID-19 pandemic.

Miller reported that the potential for liability claims remained a concern due to the COVID-19 pandemic. Miller reported working with Utah Association of Counties (UAC) staff on HB 2007 which would create a presumption that first responders who contract COVID-19 did so in the course of work-related duties, noting "first responders" falls under the broad federal definition. Miller indicated that this bill has the potential of significantly increasing workers compensation costs for counties over the next four to five years, but it would protect the counties from civil lawsuits from first responders contracting the virus.

Miller informed the Board that staff had updated the Pool's Business Continuity Policy, which has proven useful with COVID-19 and recent events at the UAC/UCIP building. Amendments to the Policy will be reviewed by the Board at their next meeting.

Miller informed the Board that in response to the March 18 earthquake on the Wasatch Front, only five related claims had been received, all from Weber County library buildings.

Other Business

The next meeting of the Board of Directors will be held Thursday, June 18, 2020 at 12:30 p.m. at the UAC/UCIP offices, 5397 South Vine St, Murray, UT.

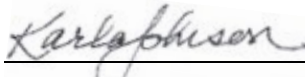
Bruce Adams dismissed the Utah Counties Indemnity Pool Board of Directors Meeting at 2:42 p.m. on April 16, 2020.

Prepared by:



Sonya White, UCIP Chief Financial Officer

Submitted on this 18 day of June 2020



Karla Johnson, Secretary/Treasurer

Approved on this 18 day of June 2020



Bruce Adams, President



Entity: Utah Counties Indemnity Pool

Body: Board of Directors

Subject:	Administrative Services
Notice Title:	Board of Directors Meeting
Meeting Location:	5397 S Vine St Murray 84107
Event Date & Time:	April 16, 2020 April 16, 2020 12:30 PM - April 16, 2020 02:30 PM
Description/Agenda:	Review/Excuse Board Members Absent Review/Approve February 20, 2020 Meeting Minutes Ratification/Approval of Payments and Credit Card Transactions Ratification of US Bank Card Limit Review/Approve 2019 Actuarial Reserve Analysis Review/Approve 2019 Financial Audit Review/Approve Claim Deterioration Fund Amount Review/Approve First Quarter 2020 Financial Statements Review/Approve Bylaws Coverage Addendum Amendments Review/Approve County Related Entities Membership Set Date and Time for Closed Meeting to Discuss Character, Professional Competence, Physical/Mental Health of an Individual Action on Personnel Matter Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation Action on Litigation Matters 2019 WC Insurance Dividends 2019 URS Compliance Report Training and Workshop Plan Board Strategic Planning Chief Executive Officer's Report Other Business
Notice of Special Accommodations:	In compliance with the Americans with Disabilities Act, individuals needing special accommodations (including auxiliary communicative aids and services) during this meeting should notify Sonya White at the Utah Counties Indemnity Pool, 5397 S Vine St, Murray, UT 84107-6757, or call 801-565-8500, at least three days prior to the meeting.
Notice of Electronic or telephone participation:	Any Member of the Utah Counties Indemnity Pool Board of Directors may participate telephonically.
Other information:	Due to Utah Governor's Stay Safe Stay Home Directive issued until May 1, 2020, the UCIP Board of Directors will meet electronically via Go-To-Meeting.
Contact Information:	Sonya White (801)307-2113 sonya@ucip.utah.gov
Posted on:	April 15, 2020 10:11 AM
Last edited on:	April 15, 2020 10:11 AM

Printed from Utah's Public Notice Website (<http://pmn.utah.gov/>)

AGENDA

Utah Counties Indemnity Pool Board of Directors Electronic Meeting

Thursday, April 16, 2020, 12:30 p.m.

12:30 Open Meeting Bruce Adams

ITEM	ACTION	
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1.	Review/Excuse Board Members Absent	Bruce Adams
2.	Review/Approve February 20, 2020 Meeting Minutes	Karla Johnson
3.	Ratification/Approval of Payments and Credit Card Transactions	Karla Johnson
4.	Ratification of US Bank Card Limit	Karla Johnson
5.	Review/Approve 2019 Actuarial Reserve Analysis	Mary Jean King
6.	Review/Approve 2019 Financial Audit	Karla Johnson
7.	Review/Approve Claim Deterioration Fund Amount	Johnnie Miler
8.	Review/Approve First Quarter 2020 Financial Statements	Sonya White
9.	Review/Approve Bylaws Coverage Addendum Amendments	Johnnie Miller
10.	Review/Approve County Related Entities Membership	Mike Wilkins
11.	Set Date and Time for Closed Meeting to Discuss Character, Professional Competence, Physical/Mental Health of an Individual	Bruce Adams
12.	Action on Personnel Matters	Deb Alexander
13.	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	Bruce Adams
14.	Action on Litigation Matters	Christopher Crockett

INFORMATION

15.	2019 WC Insurance Dividends	Sonya White
16.	2019 URS Compliance Report	Sonya White
17.	Training and Workshop Plan	Johnnie Miller
18.	Board Strategic Planning	Sonya White
19.	Chief Executive Officer's Report	Johnnie Miller
20.	Other Business	Bruce Adams

Electronic Meeting Notice:
<https://global.gotomeeting.com/join/135110613>
By phone: 571-317-3122, Access Code: 135-110-613
Anchor Location: 5397 S Vine St, Murray, UT

BOARD OF DIRECTORS
MEETING MINUTES

Date and Time

February 20, 2020, 1:00 p.m.

Location

UAC/UCIP Offices, 5397 S Vine St, Murray, Utah

Directors Present

Bruce Adams, *President*, San Juan County Commissioner
William Cox, *Vice President*, Rich County Commissioner
Karla Johnson, *Secretary/Treasurer*, Kane County Clerk/Auditor
Alma Adams, Iron County Commissioner
Deb Alexander, Davis County Human Resources Director
Blaine Breshears, Morgan County Sheriff
Dean Cox, Washington County Commissioner
Christopher Crockett, Weber Deputy County Attorney
Scott Jenkins, Weber County Commissioner
Mike Wilkins, Uintah County Clerk/Auditor

Directors Absent

Jim Kaiserman, Wasatch County Surveyor
Bob Stevenson, Davis County Commissioner
Mark Whitney, Beaver County Commissioner

Officers Present

Johnnie Miller, UCIP Chief Executive Officer
Sonya White, UCIP Chief Financial Officer

Others Present

Alex Getts, UCIP Education & Training Specialist

Call to Order

Bruce Adams called the regular meeting of the Utah Counties Indemnity Pool's Board of Directors to order at 1:00 p.m. on February 20, 2020 and welcomed those in attendance. Bruce Adams led the Pledge of Allegiance.

Board Member Oath of Office

Karla Johnson administered the Oath of Office for William Cox. Cox signed his Oath.

Review/Excuse Board Members Absent

William Cox made a motion to excuse Jim Kaiserman, Bob Stevenson, and Mark Whitney from this meeting. Karla Johnson seconded the motion, which passed unanimously.

Review/Approve December 19, 2019 Meeting Minutes

The draft minutes of the Board of Directors meeting held December 19, 2019 were previously sent to the Board Members for review (see attachment number one). Karla Johnson recommended changes to the December 19, 2019 meeting minutes. For clarity, Johnson recommended bolding entity names under the *Review/Approve County Related Entities Membership* to make it easier to find the entities discussed by the Board. Johnson recommended that under the *Recess for Public Hearing* to discuss the UCIP 2020 Budget, the minutes should reflect that no public were present to make comment. Karla Johnson made a motion to approve the December 19, 2019 Board of Directors meeting minutes as amended. Alma Adams seconded the motion, which passed unanimously.

Ratification/Approval of Payments and Credit Card Transactions

Karla Johnson reported that she reviewed the payments made, the payments to be made and the credit card transactions of the Pool as of February 20, 2020 (see attachment number two). Karla Johnson made a motion to approve the payments made, the payments to be made and the credit card transactions as presented. Mike Wilkins seconded the motion, which passed unanimously.

Review/Approve Bylaws Coverage Addendum Amendments

Johnnie Miller presented the Board with a reformatted version of the Bylaws Coverage Addendum (see attachment number three). It is proposed that the Addendum be separated into coverage parts to make the 157 page document easier to review and update. Miller explained that County Reinsurance Limited (CRL), the Pool's reinsurance provider, is currently updating their coverage document. Therefore, the amendments made by CRL should be considered to be integrated into the Pool's Addendum. Miller explained that future meetings will introduce substantial changes to the Addendum. Dean Cox made a motion to approve the new format of the Bylaws Coverage Addendum as presented. Deb Alexander seconded the motion, which passed unanimously.

Johnnie Miller presented the Board with a revised format of the Bylaws Coverage Addendum Table of Contents (see attachment number four). Miller explained that by organizing the Addendum into coverage parts, the Addendum will be easier for the members to read and understand. Language in the endorsements, previously made to the Addendum, will be integrated into the Addendum if applicable. Sonya White recommended that the Pool officers work with the Governance Committee of the Board to review amendments to the Addendum prior to presenting amendments to the Board. Karla Johnson made a motion to approve the reorganization of the Bylaws Coverage Addendum Table of Contents as presented. Alma Adams seconded the motion, which passed unanimously.

Review/Approve County Related Entities Membership

Mike Wilkins presented a membership application summary report to the Board for the **Emery County Recreation Special Service District** (see attachment number five). Wilkins explained that the Board approved this District's membership two years ago, but the entity opted not to enter into the Interlocal Agreement with other members of the Pool. Now, the District's current carrier has implemented a large liability premium increase and they would like to explore their options again with the Pool. Upon the recommendation of the Membership Committee and UCIP staff, Mike Wilkins made a motion to approve membership of the Emery County Recreation Special Service District in the Utah Counties Indemnity Pool. Scott Jenkins seconded the motion, which passed unanimously.

Johnnie Miller reported that the **Sanpete Special Service District** is a newly formed entity founded by the county commission to handle mineral lease monies (see attachment number six). Miller explained that staff had not received all the information required for their membership, but that the District will operate similarly to other entities the Pool has previously approved for the handling of mineral lease monies. Mike Wilkins made a motion to tentatively approve the membership of the Sanpete Special Service District in the Utah Counties Indemnity Pool based on the receipt of the required underwriting information and membership documentation. Karla Johnson seconded the motion, which passed unanimously.

Set Date and Time for Closed Meeting

William Cox made a motion to strike agenda item: *Set Date and Time for a Closed Meeting to Discuss Character, Professional Competence, Physical/Mental Health of an Individual*. Deb Alexander seconded the motion, which passed unanimously.

Action on Personnel Matters

William Cox made a motion to strike agenda item: *Action on Personnel Matters*. Deb Alexander seconded the motion, which passed unanimously.

Set Date and Time for Closed Meeting

The Chair of the Litigation Management Committee, Christopher Crockett, explained that it was not necessary to: *Set Date and Time for a Closed Meeting to Discuss Pending or Reasonably Imminent Litigation*, instead, Crockett provided the Board with an update on the issues involving tribal law. Johnnie Miller explained that when a party enters into an agreement with a tribe, they are subject to tribal jurisdiction—cases cannot be taken to state courts. Federal courts can only determine whether tribal courts had jurisdiction in a case, and not re-litigate the case. Scott Jenkins suggested contacting State Senator Lyle Hillyard to address this issue. Miller stated he would contact Hillyard and Scott Burns, Executive Director of the Utah Sheriff's Association, to discuss this issue further and if there is time to remedy this issue legislatively during the 2020 legislative session. Crockett indicated the Committee would be meeting two weeks before every Board Meeting to adequately provide the Board with current information.

Action on Litigation Matters

Scott Jenkins made a motion to strike agenda item: *Action on Litigation Matters*. William Cox seconded the motion, which passed unanimously.

Chief Executive Officer's Report

Johnnie Miller provided the Board with a summary of the bills the Pool is tracking at the legislature that relate to risk management issues (see attachment number seven).

Johnnie Miller reported that the Fraud Tip Line is up and running, with information about the line on the UCIP website.

Johnnie Miller reported that he will be traveling to London in March, with management of County Reinsurance Limited (CRL), to negotiate the property reinsurance contracts.

Other Business

An inquiry was made by Bruce Adams regarding coverage and limits for the use of personal vehicles on county business. Johnnie Miller explained that the coverage and limits of the personal automobile policy would apply as primary coverage in the event of a loss and UCIP's coverage and limits would apply as secondary if the primary coverage did not cover all costs of a loss while conducting county business.

Sonya White presented the Board with a tentative schedule for the Board's Strategic Planning sessions in June (see attachment number eight). The sessions are scheduled for June 10-12 in Kane County.

The next meeting of the Board of Directors will be held Thursday, April 16, 2020 at 12:30 p.m. at the UAC/UCIP Offices, 5397 S Vine St, Murray, UT.

Scott Jenkins made a motion to adjourn the meeting of the Utah Counties Indemnity Pool Board of Directors at 2:25 p.m. on February 20, 2020. William Cox seconded the motion, which passed unanimously.

Prepared by:

Sonya White, Chief Financial Officer

Submitted on this _____ day of _____ 2020

Karla Johnson, Secretary/Treasurer

Approved on this _____ day of _____ 2020

Bruce Adams, President

Account Profile

[Switch Accounts](#)

SONYA J WHITE

Product

One Card

Account

Unique ID:

0375-7073-1900-3856

ID: 7190-7300-0833

Number: **3392

Processing Hierarchy

Show All Hierarchy Names

3757-8048-24038-00000-0000

Managing Account

Name: UCIP OC

Unique ID: 0375-7071-1900-3294

ID: 7190-7100-0841

Number: **7814

Organization Name (optional)

UCIP

Optional 1 (optional)

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Optional 2 (optional)

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Account Overview

Summary

Account Status

Open

Credit Limit

\$15000

Available Credit

\$13774

Single Purchase Limit

\$0

Expiration Date



UTAH COUNTIES INDEMNITY POOL

Actuarial Report

Reserve Analysis as of 12/31/19

Mary Jean King, FCAS, CERA, MAAA
Principal and Consulting Actuary

OVERVIEW

- Purpose of Report
- Change in Surplus
- Estimated Ultimate Losses
 - Paid Losses
 - Case Reserves
 - IBNR
 - IBNRYR (Incurred but not yet reported)
 - IBNE (Incurred but not enough) – additional development on known claims
- Historical Profitability Analysis

ESTIMATED REQUIRED RESERVES

AS OF 12/31/19

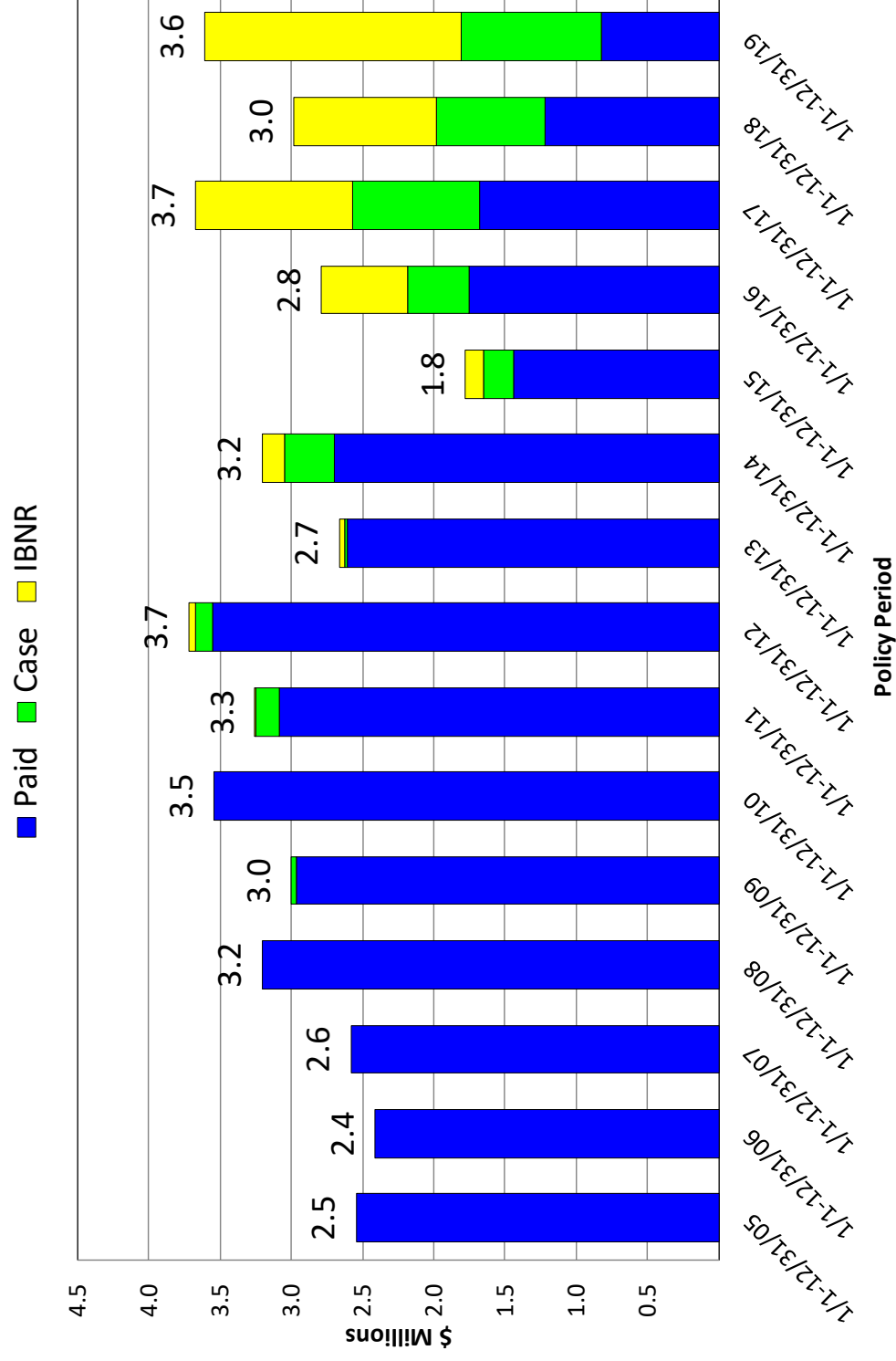
(Limited to Specific Retentions)

	Line of Business	Low	Expected	High
Undiscounted for Investment Income	GL	\$ 7,960,000	\$ 8,700,000	\$ 9,850,000
	AL	90,000	110,000	140,000
	Property	20,000	30,000	60,000
	Total	\$ 8,070,000	\$ 8,840,000	\$10,050,000
Discounted at 2.5% per Annum	GL	\$ 7,490,000	\$ 8,190,000	\$ 9,270,000
	AL	80,000	100,000	130,000
	Property	20,000	30,000	50,000
	Total	\$ 7,590,000	\$ 8,320,000	\$ 9,450,000

ESTIMATED RETAINED LOSSES

AS OF 12/31/19

ALL COVERAGES



COMPARISON OF ESTIMATED ULTIMATE INCURRED LOSSES TO PRIOR REPORT

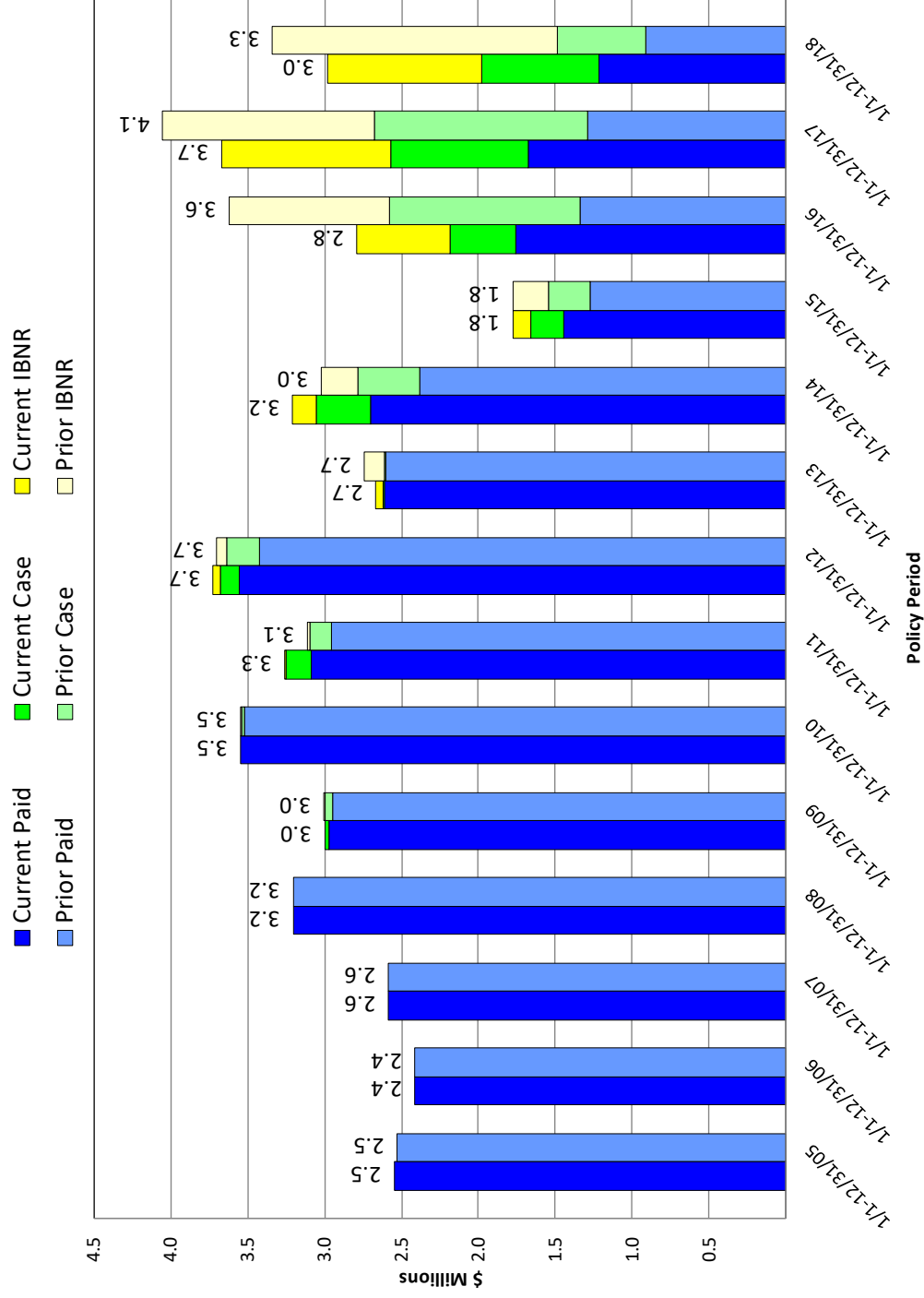
ALL COVERAGES

(Limited to Specific Retentions)
(Net of Recoveries)

Policy Period	Current Report (Table 43 Section A)	4/22/19 Report (Table 43 Section A)	Change	Percent Change
1/1-12/31/05	\$ 2,546,610	\$ 2,526,117	\$ 20,493	0.8%
1/1-12/31/06	2,410,764	2,410,764	0	0.0%
1/1-12/31/07	2,583,379	2,583,379	0	0.0%
1/1-12/31/08	3,204,919	3,204,919	0	0.0%
1/1-12/31/09	2,999,775	3,004,187	(4,412)	(0.1%)
1/1-12/31/10	3,544,115	3,546,306	(2,191)	(0.1%)
1/1-12/31/11	3,256,929	3,112,364	144,565	4.6%
1/1-12/31/12	3,722,199	3,697,398	24,801	0.7%
1/1-12/31/13	2,664,465	2,741,525	(77,060)	(2.8%)
1/1-12/31/14	3,206,294	3,019,614	186,680	6.2%
1/1-12/31/15	1,777,753	1,774,973	2,780	0.2%
1/1-12/31/16	2,788,056	3,619,045	(830,989)	(23.0%)
1/1-12/31/17	3,669,163	4,050,355	(381,192)	(9.4%)
1/1-12/31/18	2,982,623	3,336,777	(354,154)	(10.6%)
Total	\$41,357,044	\$42,627,723	(\$1,270,679)	(3.0%)

COMPARISON OF ESTIMATED ULTIMATE INCURRED LOSSES TO PRIOR ACTUARIAL REPORT ALL COVERAGES

(Limited to Specific Retentions)



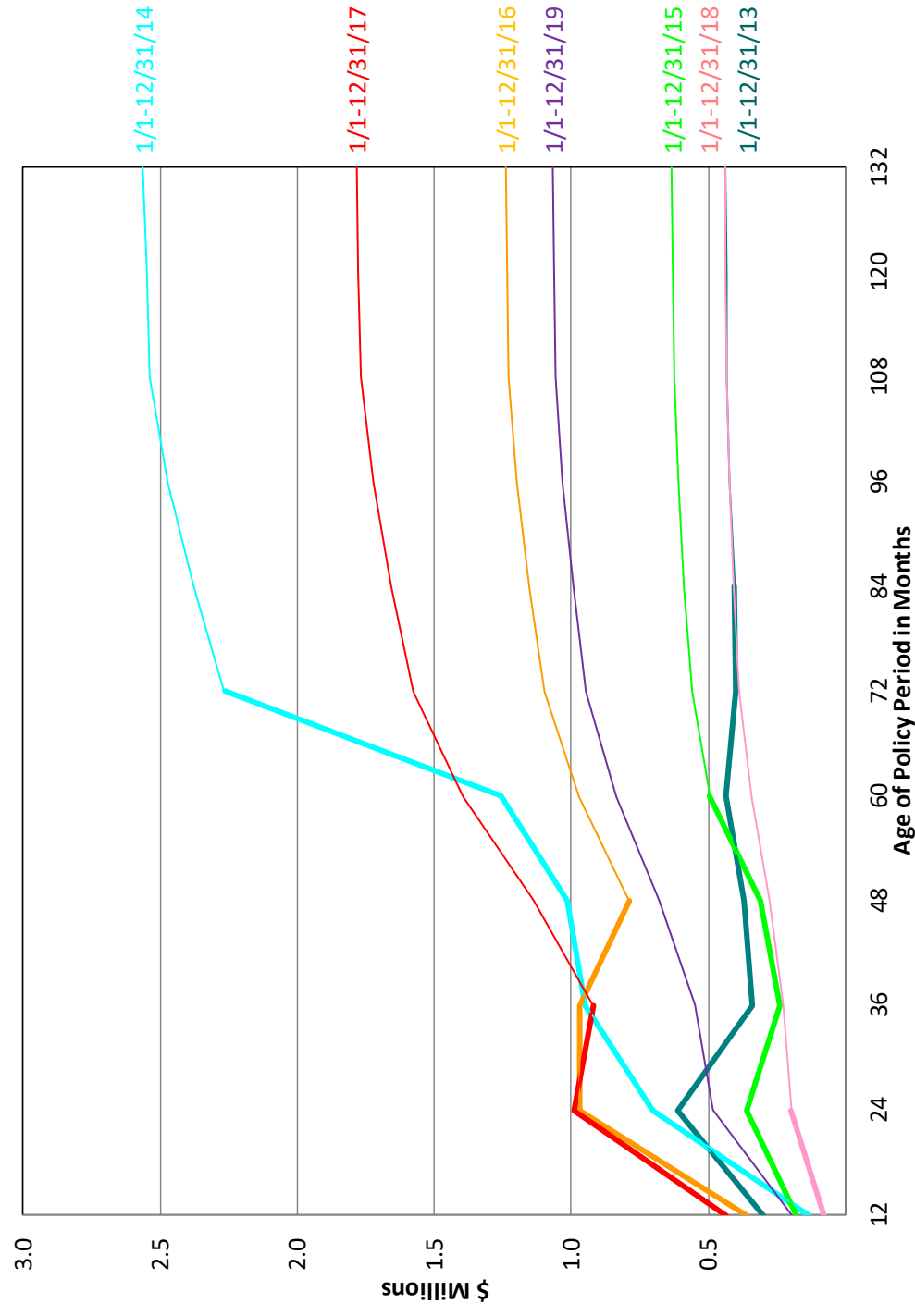
How Are Ultimate Incurred Losses Estimated?

- Four methods are used
- Average claim costs and frequencies are reviewed to check the reasonableness of the selections
- Estimates are compared to prior years as another check of reasonableness and to identify causes of significant changes

HISTORICAL AND EXPECTED DEVELOPMENT OF INCURRED LOSSES

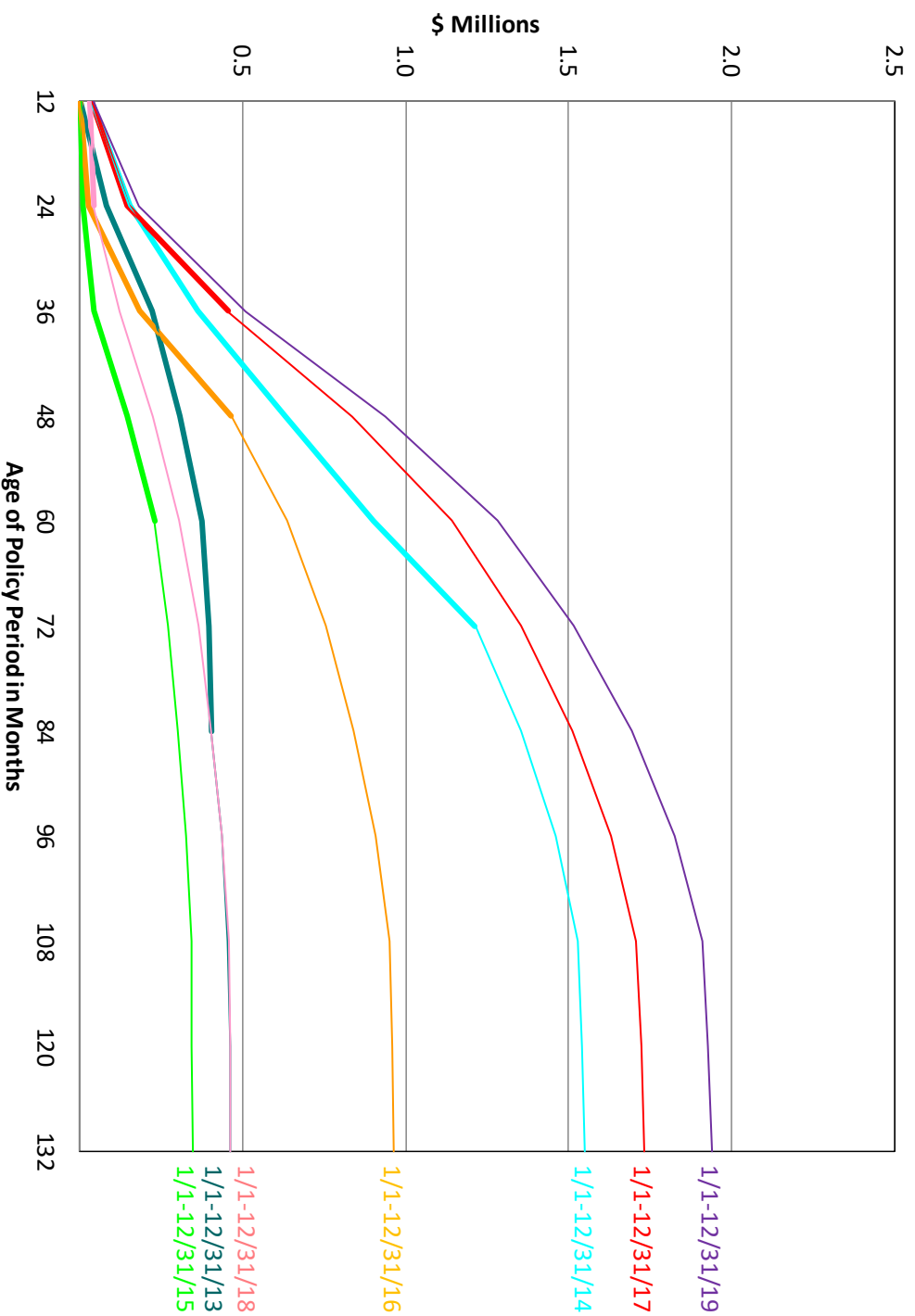
LAW ENFORCEMENT LIABILITY

(Unlimited Losses Including ALAE Gross of Recoveries)



HISTORICAL AND EXPECTED DEVELOPMENT OF PAID LOSSES LAW ENFORCEMENT LIABILITY

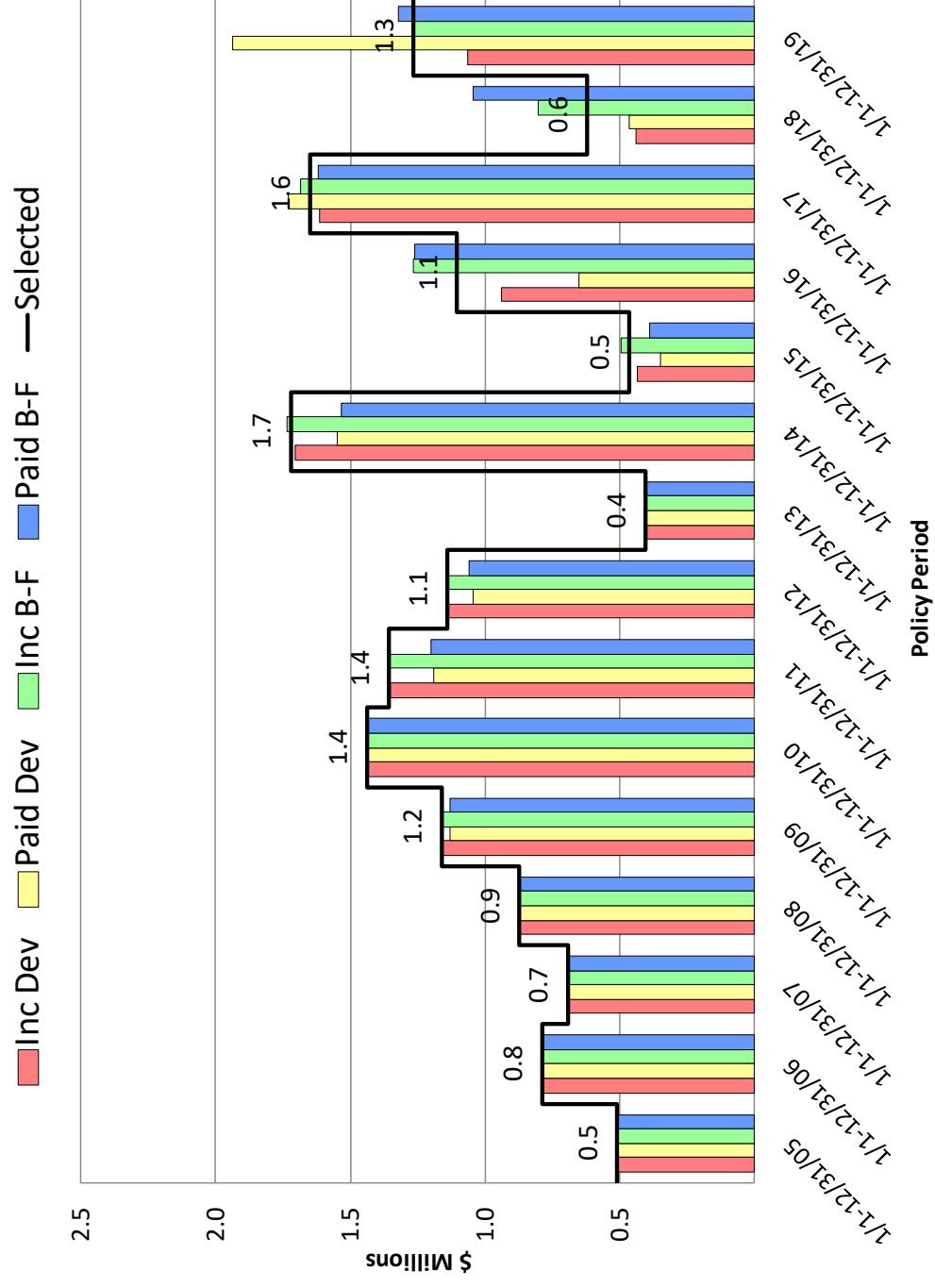
(Unlimited Losses Including ALAE Gross of Recoveries)



SELECTED ESTIMATED ULTIMATE INCURRED LOSSES

LAW ENFORCEMENT LIABILITY

(Limited to Specific Retentions)



ESTIMATED REQUIRED RESERVES

AS OF 12/31/19

ALL COVERAGES

(Limited to Specific Retentions)
(Net of Recoveries)

Policy Period	Estimated Ultimate Incurred Losses	Incurred Losses as of 12/31/19	Paid Losses as of 12/31/19	Case Reserves as of 12/31/19	Estimated IBNR as of 12/31/19	Estimated Required Reserves as of 12/31/19
1/1-12/31/05	\$ 2,546,610	\$ 2,546,610	\$ 2,546,610	\$ 0	\$ 0	\$ 0
1/1-12/31/06	2,410,764	2,410,764	2,410,764	0	0	0
1/1-12/31/07	2,583,379	2,583,379	2,583,379	0	0	0
1/1-12/31/08	3,204,919	3,204,919	3,204,919	0	0	0
1/1-12/31/09	2,999,775	2,999,775	2,968,244	31,531	0	31,531
1/1-12/31/10	3,544,115	3,544,115	3,544,115	0	0	0
1/1-12/31/11	3,256,929	3,246,631	3,083,495	163,136	10,298	173,434
1/1-12/31/12	3,722,199	3,675,909	3,553,390	122,519	46,290	168,809
1/1-12/31/13	2,664,465	2,620,652	2,611,095	9,557	43,813	53,370
1/1-12/31/14	3,206,294	3,051,931	2,698,281	353,650	154,363	508,013
1/1-12/31/15	1,777,753	1,655,532	1,442,834	212,698	122,221	334,919
1/1-12/31/16	2,788,056	2,186,102	1,756,232	429,870	601,954	1,031,824
1/1-12/31/17	3,669,163	2,566,074	1,678,112	887,962	1,103,089	1,991,051
1/1-12/31/18	2,982,623	1,980,018	1,214,761	765,257	1,002,605	1,767,862
1/1-12/31/19	3,608,435	1,810,824	823,552	987,272	1,797,611	2,784,883
Total	\$44,965,479	\$40,083,235	\$36,119,783	\$ 3,963,452	\$ 4,882,244	\$ 8,845,696

HISTORICAL PROFITABILITY ANALYSIS

ALL COVERAGES

Policy Period	Premium*	Operating Expenses*	Funds Available for Claims	Estimated Ultimate Incurred Losses	Estimated Underwriting Income	Interest & Other Income*	Estimated Net Income	Dividends*	Estimated Net Income After Dividends
1/1-12/31/01	\$ 3,222,871	\$ 1,489,185	\$ 1,733,686	\$ 1,715,000 <	\$ 18,686	\$ 434,407	\$ 453,093		\$ 453,093
1/1-12/31/02	3,505,736	1,644,953	1,860,783	1,850,000 <	10,783	237,750	248,533		248,533
1/1-12/31/03	3,930,854	2,042,668	1,888,186	2,418,838 <	(530,652)	223,149	(307,503)		(307,503)
1/1-12/31/04	4,194,644	2,048,851	2,145,793	2,662,597 <	(516,804)	230,501	(286,303)		(286,303)
1/1-12/31/05	4,217,591	2,046,257 #	2,171,334	2,546,610	(375,276)	400,393	25,117		25,117
1/1-12/31/06	4,195,406	2,058,540 #	2,136,866	2,410,764	(273,898)	618,976	345,078		345,078
1/1-12/31/07	4,676,898	2,426,559 #	2,250,339	2,583,379	(333,040)	554,819	221,779		221,779
1/1-12/31/08	5,146,934	2,145,715	3,001,219	3,204,919	(203,700)	(42,271)	(245,971)		(245,971)
1/1-12/31/09	5,573,525 ^	2,012,633 ^	3,560,892	2,999,775	561,117	176,378 ^	737,495		737,495
1/1-12/31/10	5,710,286	2,444,578	3,265,708	3,544,115	(278,407)	302,702	24,295		24,295
1/1-12/31/11	5,922,572	2,401,787	3,520,785	3,256,929	263,856	520,411	784,267		784,267
1/1-12/31/12	6,282,067	2,625,921	3,656,146	3,722,199	(66,053)	437,299	371,246		371,246
1/1-12/31/13	5,085,489	2,679,532	2,405,957	2,664,465	(258,508)	(16,887)	(275,395)	\$ 91,328	(366,723)
1/1-12/31/14	4,590,930	2,400,993	2,189,937	3,206,294	(1,016,357)	560,974	(455,383)		(455,383)
1/1-12/31/15	5,150,384	2,551,287	2,599,097	1,777,753	821,344	229,670	1,051,014		1,051,014
1/1-12/31/16	5,829,233	2,495,762	3,333,471	2,788,056	545,415	368,436	913,851		913,851
1/1-12/31/17	6,100,557	2,502,091	3,598,466	3,669,163	(70,697)	291,111	220,414		220,414
1/1-12/31/18	6,124,167	2,697,703	3,426,464	2,982,623	443,841	441,869	885,710		885,710
1/1-12/31/19	6,767,730 ~	2,804,036 ~	3,963,694	3,608,435	355,259	449,324 ~	804,583		804,583
Total	\$96,227,874	\$43,519,051	\$52,708,823	\$53,611,914	(\$ 903,091)	\$6,419,011	\$5,515,920	\$ 91,328	\$5,424,592

* From the audited financial statements.

< Incurred losses as of 12/31/19 limited to specific and aggregate retentions.

Split administrative expenses 19% w orkers compensation and 81% multi-line at UCIPs request.

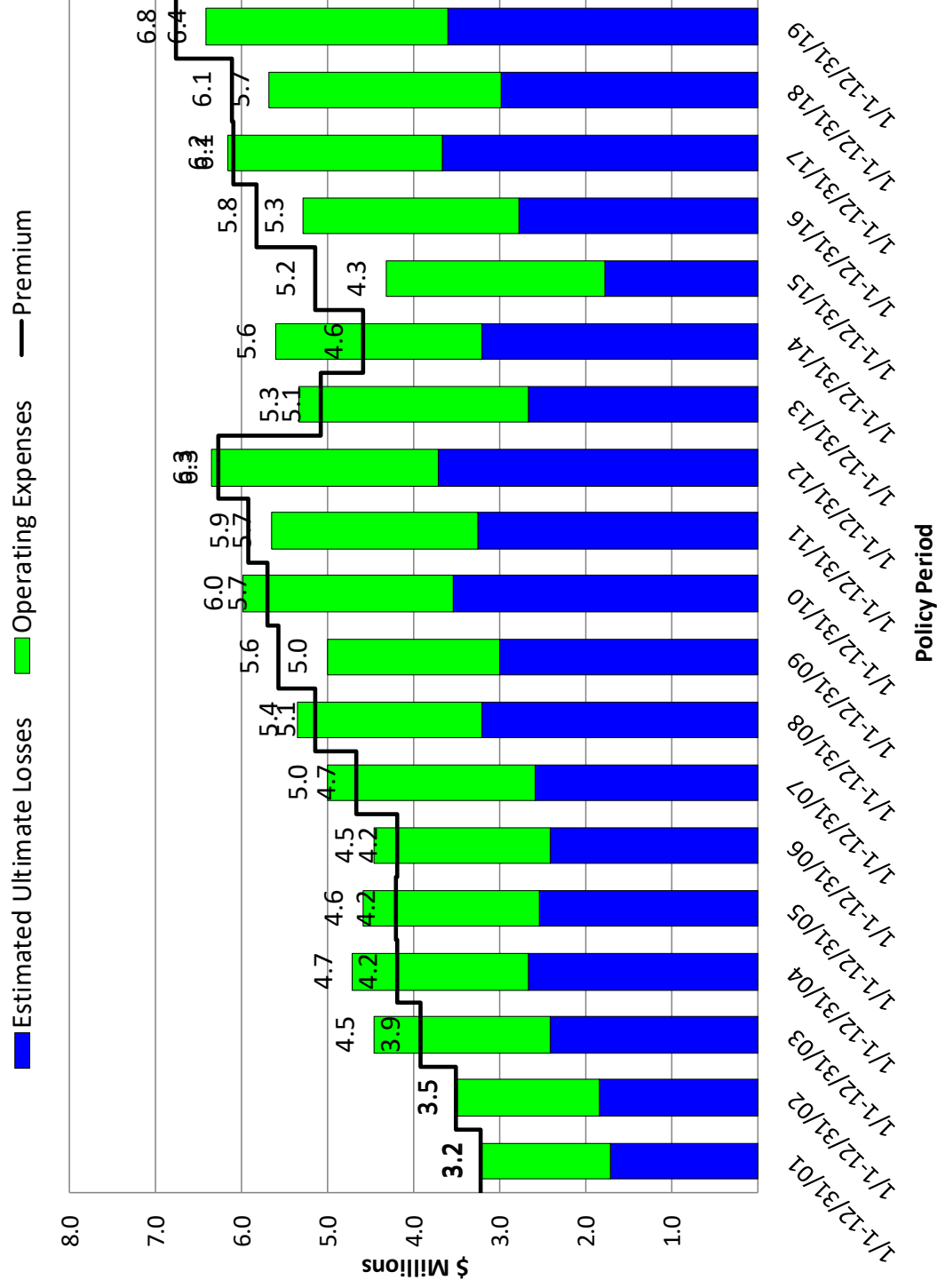
^ Split w orkers compensation and multi-line based on estimates provided by UCIP.

~ Estimated by UCIP.

HISTORICAL PROFITABILITY ANALYSIS

ALL COVERAGES

(Excluding Investment Income)



LOSS RATIOS

ALL COVERAGES

(Limited to Specific Retentions)
(Net of Recoveries)

Policy Period	Paid Loss Ratio as of 12/31/19	Incurred Loss Ratio as of 12/31/19	Estimated Ultimate Incurred Loss Ratio	Permissible Loss Ratio (Funds Available/ Premium)	Combined Ratio [(Losses+ Expenses)/ Premium]
1/1-12/31/05	0.604	0.604	0.604	0.515	1.089
1/1-12/31/06	0.575	0.575	0.575	0.509	1.065
1/1-12/31/07	0.552	0.552	0.552	0.481	1.071
1/1-12/31/08	0.623	0.623	0.623	0.583	1.040
1/1-12/31/09	0.533	0.538	0.538	0.639	0.899
1/1-12/31/10	0.621	0.621	0.621	0.572	1.049
1/1-12/31/11	0.521	0.548	0.550	0.594	0.955
1/1-12/31/12	0.566	0.585	0.593	0.582	1.011
1/1-12/31/13	0.513	0.515	0.524	0.473	1.051
1/1-12/31/14	0.588	0.665	0.698	0.477	1.221
1/1-12/31/15	0.280	0.321	0.345	0.505	0.841
1/1-12/31/16	0.301	0.375	0.478	0.572	0.906
1/1-12/31/17	0.275	0.421	0.601	0.590	1.012
1/1-12/31/18	0.198	0.323	0.487	0.559	0.928
1/1-12/31/19	0.122	0.268	0.533	0.586	0.948
Total		0.553		0.554	0.999

Utah Counties Indemnity Pool

**FINANCIAL STATEMENTS, INDEPENDENT AUDITOR'S REPORT, REQUIRED
SUPPLEMENTARY INFORMATION AND OTHER INDEPENDENT AUDITOR'S REPORTS**

For the Year Ended December 31, 2019



UTAH COUNTIES INDEMNITY POOL

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Independent Auditor's Report

The Board of Directors
Utah Counties Indemnity Pool

We have audited the accompanying financial statements of **Utah Counties Indemnity Pool** as of and for the year ended December 31, 2019, and the related notes to the financial statements, as listed in the foregoing table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of **Utah Counties Indemnity Pool** as of December 31, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the reconciliation of the claims liability and losses and loss adjustment expenses, the contributions and loss development information, the schedule of the proportionate share of the net pension liability, and the schedule of contributions, as listed in the table of contents, be presented to supplement the basic financial statements.

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2020, on our consideration of the Pool's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Larson & Company, PC
Spanish Fork, Utah

April 10, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

UTAH COUNTIES INDEMNITY POOL

Management's Discussion and Analysis

(Unaudited)

Year Ended December 31, 2019

In conformity with Governmental Accounting Standards Board (GASB) Statement No. 34, the management of the Utah Counties Indemnity Pool (the Pool or UCIP) presents this Management's Discussion and Analysis for the readers of UCIP's financial statements. Our intent is to provide a narrative overview and analysis of the financial activities of UCIP for the fiscal year ended December 31, 2019. Readers are encouraged to consider this information in conjunction with the financial statements, notes to the financial statements and required supplementary information included in the independent auditor's report.

FINANCIAL STATEMENTS PROVIDED

Included in the independent auditor's report are the basic financial statements required under the GASB standards including:

- Statements of Net Position—accounts for all assets, deferred outflows of resources, liabilities and deferred inflows of resources of UCIP as of December 31, 2019, showing the balance of net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) as of that date.
- Statements of Revenues, Expenses, and Changes in Net Position—accounts for all revenue and expenses accrued for the fiscal period, with calculation of the change in net position (revenue minus expenses) for the period. Expenses are classified as Operating Expenses (primarily consisting of expected losses to be paid and the cost of excess insurance covering catastrophic losses) and Administrative Expenses (primarily consisting of staff salaries and benefits and office operations). Expenses are further categorized to provide a level of detail appropriate for general management overview and control.
- Statements of Cash Flows—accounts for all revenues and expenses received or paid during the fiscal period with a calculation of net increase in cash and cash equivalents (revenue minus expenses) and total cash and cash equivalents at the end of the period. This statement provides a contrasting view of the revenues and expenses from the Statement of Revenues, Expenses, and Changes in Net Position as it accounts for revenues and expenses that were actually received or paid during the period, regardless of when the revenue was earned or due, or when the expense was accrued or invoiced.

BASIS OF ACCOUNTING METHODS

Financial statements provided in this report are reported using the Governmental Accounting Standards Board (GASB) basis of accounting. Traditional insurance companies often utilize statutory accounting methods in development of their financial statements that differ significantly from GASB accounting methods. Attempts to perform simple comparisons or benchmark analysis of a commercial carrier's financial reports and the financial reports contained here will likely yield distorted results.

UTAH COUNTIES INDEMNITY POOL

Management's Discussion and Analysis

(Unaudited)

Year Ended December 31, 2019

CONDENSED FINANCIAL INFORMATION

The following Condensed Financial Statements are meant to provide a summary view of the audited financial statements as support for comments and analysis of the financial condition of UCIP offered by management in this letter.

Assets and Liabilities

Current and other assets increased \$831,493 at year end 2019 compared to the prior year end. Current and other assets include short term investments of \$402,361. Long term investments increased \$58,216 for the same period. Capital contributions increased \$1,147,196 from the prior year end. Capital assets decreased \$6,968 as a result of the sale of furniture adjustments. Deferred outflows of resources in the amount of \$199,901 in the year 2019 and \$142,815 in prior year 2018 are reflected as a result of the implementation of GASB 68. Deferred outflows related to pensions increased \$57,086. Total assets increased \$2,087,022 as of December 31, 2019 over the prior year.

Total liabilities at year end 2019 decreased \$759,710 from the prior year end. This decrease was primarily the result of a \$410,417 decrease in reserves for losses and loss adjustment expenses and a decrease in member contributions paid in advance. Noncurrent liabilities in the year 2019 and 2018 are reflected as a result of the implementation of GASB 68, Accounting and Financial Reporting for Pensions. The statement requires employers providing defined benefit pensions through pension plans administered as trusts, to recognize their long-term obligation for those benefits as a liability. The Pool provides a defined pension plan to certain employees through the Utah Retirement Systems (URS) and therefore, the Pool has recorded a noncurrent liability of \$305,856 in 2019 and \$170,270 in 2018. Inflows related to pensions amounted to \$12,096 in 2019.

In 2019 and 2018, net position increased by \$2,846,732 and by \$1,050,040, respectively during the fiscal years then ended.

The condensed statements of net assets for the years ended 2019, 2018, and 2017 with comparative information for 2019 and 2018 are shown on the following page:

UTAH COUNTIES INDEMNITY POOL

Management's Discussion and Analysis

(Unaudited)

Year Ended December 31, 2019

	2019	2018	Net Change	2017
Assets:				
Current and other assets	\$14,642,536	\$13,811,044	\$ 831,493	\$10,654,996
Long Term Investments	553,520	495,304	58,216	1,846,876
Capital Contributions	3,397,129	2,249,933	1,147,196	2,151,012
Capital assets	535,751	542,719	(6,968)	538,696
Outflows related to pensions	199,901	142,815	57,086	168,435
Total assets	<u>\$19,328,838</u>	<u>\$17,241,815</u>	<u>\$ 2,087,022</u>	<u>\$15,360,016</u>
Liabilities:				
Current and other liabilities	\$ 1,252,758	\$ 1,665,032	\$ (412,274)	\$ 1,166,784
Reserve for losses and loss adjustment	8,940,196	9,350,613	(410,417)	8,975,925
Noncurrent liabilities	305,856	170,270	135,586	253,476
Inflows related to pensions	12,096	84,701	(72,605)	42,671
Total liabilities	<u>10,510,906</u>	<u>11,270,616</u>	<u>(759,710)</u>	<u>10,438,856</u>
Net position:				
Invested in capital assets	529,241	542,719	(13,479)	538,696
Unrestricted	8,288,691	5,428,480	2,860,211	4,382,463
Total net position	<u>8,817,931</u>	<u>5,971,199</u>	<u>2,846,732</u>	<u>4,921,159</u>
Total liabilities and net position	<u>\$19,328,838</u>	<u>\$17,241,815</u>	<u>\$ 2,087,022</u>	<u>\$15,360,016</u>

Operating Revenue and Expense

Revenue from contributions increased \$643,563 for a total of \$6,767,730 in 2019. This increase is attributed to an increase in member exposures. Other income decreased \$13,036 primarily from the sale of computers and equipment in the prior year and a decrease in partner sponsorships. Operating expenses decreased \$501,366 from the prior year due to a decrease in loss and loss adjustment expenses.

The condensed statements of operating revenue and expense for the years ended 2019, 2018 and 2017 with comparative information for 2019 and 2018 are shown as follows:

	2019	2018	Net Change	2017
Operating revenue:				
Contributions	\$ 6,767,730	\$ 6,124,167	\$ 643,563	\$ 6,100,557
Investment income	419,371	420,240	(869)	276,238
Other income	11,172	24,208	(13,036)	20,111
Total operating revenues	<u>7,198,273</u>	<u>6,568,615</u>	<u>629,658</u>	<u>6,396,906</u>
Operating expenses:				
Loss and loss adjustment expenses	2,168,034	2,818,293	(650,259)	3,621,314
Reinsurance coverage	1,792,239	1,702,872	89,367	1,593,158
Administration	1,054,358	994,831	59,527	908,933
Total operating expenses	<u>5,014,630</u>	<u>5,515,996</u>	<u>(501,366)</u>	<u>6,123,405</u>
Net operating income	<u>2,183,643</u>	<u>1,052,619</u>	<u>1,131,024</u>	<u>273,501</u>
Fair value equity/investment	663,090	(2,579)	665,669	(5,238)
Change in net position	<u>\$ 2,846,732</u>	<u>\$ 1,050,040</u>	<u>\$ 1,796,692</u>	<u>\$ 268,263</u>

UTAH COUNTIES INDEMNITY POOL

Management's Discussion and Analysis

(Unaudited)

Year Ended December 31, 2019

Investments

As a governmental subdivision regulated by the Money Management Council (MMC), UCIP invests the majority of funds in the Public Treasurers' Investment Fund (PTIF). Utilizing this "safe harbor" for compliance with the Money Management Act also provides UCIP significant liquidity and protection of capital in its invested assets. In 2019, UCIP created a new restricted account in the PTIF to comply with the MMC's Rule 4 for Interlocal Agencies providing crime insurance. \$125,000 equals 50% of the per occurrence limit of crime coverage.

In 2011, UCIP moved \$2,000,000 of invested funds to Zions Capital Advisors in anticipation of increasing investment rates. While investments with Zions Capital Advisors outperformed the PTIF by a small amount in 2019 and 2018, it is anticipated these investments will outpace the PTIF more significantly as the market strengthens. For the purpose of the condensed statements of cash and cash equivalents and investments, investments – U.S. government securities include the Pool's total short-term investments and long term investments combined.

UCIP is a member of County Reinsurance Limited (CRL), a property and liability reinsurance pool of county-based pools across the United States. UCIP has equity ownership in CRL.

The condensed statements of cash and cash equivalents and investments for the years ended 2019, 2018 and 2017 with comparative information for 2019 and 2018 are shown as follows:

	2019	2018	Net Change	2017
Cash and cash equivalents:				
Cash on deposit	\$ 3,152,388	\$ 3,219,934	\$ (67,546)	\$ 3,649,685
Public Treasurers' Investment Fund	9,446,929	8,602,694	844,235	6,655,839
Zions Capital Advisors	1,297,132	90,988	1,206,145	99,424
Total cash and cash equivalents	13,896,450	11,913,616	1,982,834	10,404,947
Investments and capital contributions:				
Investments - U.S. government securities	955,881	2,095,563	(1,139,682)	1,846,876
Equity in County Reinsurance Limited	3,397,129	2,249,933	1,147,196	2,151,012
Total investments	4,353,010	4,345,496	7,514	3,997,888
Total cash and cash equivalents and investments	\$18,249,460	\$16,259,112	\$ 1,990,348	\$14,402,835

Financial Position

The Net Asset Management Policy was adopted by the Board to actively manage UCIP's net position between 50-250% of annual revenue. The Policy provides that when net position exceeds 250% of annual revenue, the Board shall issue dividends unless the Board has specific needs for such surplus as described in the Net Asset Management Policy. Dividends may be issued as Experience Dividends, Equity Dividends and/or Member in Good Standing Dividends based on the UCIP Dividend Policy. Based on the 2019 member contributions of \$6,767,730, the surplus (net position) to contributions (revenue) ratio at year end 2019 was within the Net Asset Management Policy and industry standards.

UTAH COUNTIES INDEMNITY POOL

Management's Discussion and Analysis

(Unaudited)

Year Ended December 31, 2019

The condensed statements of changes in net position for the years ended 2019, 2018, and 2017 with comparative information for 2019 and 2018 are shown as follows:

Revenues and expenses:				
Revenues	\$ 7,861,363	\$ 6,566,036	\$ 1,295,327	\$ 6,391,668
Expenses	5,014,630	5,515,996	(501,366)	6,123,405
Net income (loss)	2,846,732	1,050,040	1,796,692	268,263
Net position, beginning of year	5,971,199	4,921,159	1,050,040	4,652,896
Net position, end of year	<u>\$ 8,817,931</u>	<u>\$ 5,971,199</u>	<u>\$ 2,846,732</u>	<u>\$ 4,912,159</u>

BUDGET

Revenue

Actual 2019 revenues were \$892,580 more than budgeted primarily due to investment income and equity performance.

Losses and Reinsurance Expenses

Actual 2019 expenses were \$1,490,370 less than budgeted due to decreases in losses and loss adjustment expenses and reinsurance expense.

Administrative Expenses

Management closely monitored budgeted administrative expenses of \$1,105,000 and was able to operate with actual expenses of \$1,054,357. The savings on actual to budgeted expenses was achieved primarily in the area of office operations.

MARKET TRENDS IN 2019

Management anticipates decreased competitive pressure due to hardening market conditions, particularly in the property lines of coverage. UCIP has already seen an increase in new membership applications as a result of increased pricing in the market. UCIP will look to strengthen its new member underwriting procedures to assure new membership growth does not negatively impact underwriting results.

Property

As the property reinsurance market has recently experienced the worst loss years in history back to back, property reinsurance markets are reducing capacity and raising rates significantly. UCIP's participation in County Reinsurance Limited (CRL), a captive insurer owned by county pools across the US has provided UCIP with significant buffering from the changes in the marketplace. UCIP became a founding member of CRL's Property Plus program in 2019, which allows CRL and its property program members to take risk on a layer of reinsurance at a level that should provide underwriting revenue while reducing

UTAH COUNTIES INDEMNITY POOL

Management's Discussion and Analysis

(Unaudited)

Year Ended December 31, 2019

reinsurance premiums.

Liability

Signs of carriers increasing liability premiums continued into 2019. As the liability market increases premiums to improve their combined ratios to attract investors, they will also have to deal with reduced capacity and increased premiums from the liability reinsurance market. This continuing "hardening" of the market will relieve some competitive pressure, but will also create increased reinsurance costs. UCIP's participation in CRL will relieve some of the market pressure other insurers will feel in 2020. UCIP has already seen an increase in new member applications as special service districts receive renewal quotes from traditional insurers with reduced coverage, increased deductibles and increased premiums.

Questions concerning any of the information in this report, or any other matters related to UCIP's budget and finances should be addressed to the Chief Financial Officer, Utah Counties Indemnity Pool, 5397 S Vine, Murray, UT 84107.

UTAH COUNTIES INDEMNITY POOL

Statement of Net Position

As of December 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 13,896,450
Short-term investments	402,361
Prepaid expenses	343,726

TOTAL CURRENT ASSETS 14,642,536

LONG TERM INVESTMENTS 553,520

CAPITAL CONTRIBUTIONS 3,397,129

PROPERTY AND EQUIPMENT (NET) 535,751

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	<u>199,901</u>
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TOTAL ASSETS AND
DEFERRED OUTFLOWS OF RESOURCES \$ 19,328,838

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Reserves for losses and loss adjustment expenses	\$ 8,940,196
Accrued expenses	140,399
Contributions paid in advance	1,112,359

TOTAL CURRENT LIABILITIES 10,192,954

NONCURRENT LIABILITIES

Net pension liability	305,856
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	<u>12,096</u>
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TOTAL LIABILITIES AND
DEFERRED INFLOWS OF RESOURCES 10,510,906

NET POSITION

Net investment in capital assets	529,241
Unrestricted	8,288,691

TOTAL NET POSITION 8,817,931

TOTAL LIABILITIES, DEFERRED INFLOWS
OF RESOURCES AND NET POSITION \$ 19,328,838

The notes to the financial statements are an integral part of this statement

UTAH COUNTIES INDEMNITY POOL

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended December 31, 2019

OPERATING INCOME	
Contributions	\$ 6,767,730
Investment Income	419,371
Other Income	11,172
TOTAL OPERATING INCOME	<u>7,198,273</u>
UNDERWRITING EXPENSES	
Losses and Loss Adjustment Expenses	2,168,034
Reinsurance Coverage	1,792,239
TOTAL UNDERWRITING EXPENSES	<u>3,960,272</u>
ADMINISTRATION EXPENSES	
Directors	45,314
Depreciation	2,887
Risk Management	69,535
Public Relations	14,879
Office	87,903
Financial/Professional	93,478
Personnel	740,363
TOTAL ADMINISTRATION EXPENSES	<u>1,054,358</u>
TOTAL OPERATING EXPENSES	<u>5,014,630</u>
NET OPERATING INCOME	<u>2,183,643</u>
OTHER INCOME/(EXPENSES)	
Fair Value Change Investments	15,894
Fair Value Change Capital Contributions	647,196
TOTAL OTHER EXPENSES	<u>663,090</u>
CHANGE IN NET POSITION	2,846,732
NET POSITION AT BEGINNING OF YEAR	<u>5,971,199</u>
NET POSITION AT END OF YEAR	<u><u>\$ 8,817,931</u></u>

The notes to the financial statements are an integral part of this statement

UTAH COUNTIES INDEMNITY POOL

Statement of Cash Flows

For the Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Contributions collected	\$ 6,334,200
Other fees collected	11,172
Reinsurance paid	(1,840,783)
Losses and loss expenses paid	(2,578,451)
Cash paid to employees	(597,053)
Other administrative expenses paid	(311,109)
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>1,017,976</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(544,424)
Sale of investments	1,761,428
Capital contributions	(500,000)
Investment income	243,719
Purchase of capital assets	4,136
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	<u>964,858</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,982,834
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>11,913,616</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 13,896,450</u>
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Change in net position	\$ 2,846,732
Adjustments to reconcile change in net position to net cash flows used by operating activities	
Depreciation	2,886
Interest on investments	(419,371)
Net outflows of resources relating to pension	120,067
Fair Value of equity/investments	(663,090)
Accounts receivable	1,987
Prepaid expenses	(48,544)
Reserves for loss and loss adjustment expenses	(410,417)
Accrued expenses	23,243
Contributions paid in advance	(435,517)
Total adjustments	<u>(1,828,756)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,017,976</u>

The notes to the financial statements are an integral part of this statement

UTAH COUNTIES INDEMNITY POOL

Notes to Financial Statements

For the Year Ended December 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Utah Counties Indemnity Pool (the Pool or UCIP) was incorporated in December 1991 as the Utah Association of Counties Insurance Mutual (the Mutual). In July 2003, the Mutual was renamed the Utah Counties Insurance Pool. In January 2012, the Pool was renamed the Utah Counties Indemnity Pool. The Pool is a non-profit Interlocal entity formed under Section 11-13-101 et. seq. *Utah Code Annotated, 1953* as amended, operated as a joint liability reserve fund under Section 63G-7-703 and 801 for counties who enter into the Interlocal Agreement that creates UCIP. The Pool is referred to as a “public agency insurance mutual” under the insurance statutes of the State of Utah, Section 31A-1-103(7). All of the Pool’s business activities are conducted in the State of Utah.

Accounting Principles

These financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The Pool has adopted Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments, GASB Statement No. 37, Basic Financial Statement and Management’s Discussion and Analysis for State and Local Governments: Omnibus, and GASB Statement No. 38, Certain Financial Statement Note Disclosures. The Pool has also adopted GASB Statement No. 40, Deposit and Investment Risk Disclosures, GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 72, Fair Value Measurement and Application. With the implementation of these statements, the Pool has prepared required supplementary information titled “Management’s Discussion and Analysis” which precedes the basic financial statements, has prepared a balance sheet classified between current and noncurrent assets and liabilities, has categorized net position as net invested in capital assets and unrestricted, has prepared the statements of cash flows on the direct method, and provided additional schedules to better communicate the financial status of the governmental entity.

The accounting policies of the Pool conform to accounting principles generally accepted in the United States of America in all material respects. The following is a summary of the more significant policies.

Basis of Accounting

The Pool reports as a single enterprise fund and uses the accrual method of accounting and the economic resources measurement focus. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

UTAH COUNTIES INDEMNITY POOL

Notes to Financial Statements

For the Year Ended December 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Specifically, the Pool's reserves for losses and loss adjustment expenses are subject to change and actual results could differ from those estimates.

Income Taxes

The Pool is exempt from the payment of income taxes under Section 115 of the Internal Revenue Code.

Compensated Absences

Accumulated unpaid vacation and sick pay amounts are accrued when benefits vest to employees and the unpaid liability is reflected as accrued expenses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Pool considers all highly liquid debt instruments with maturities of three months or less when purchased to be cash equivalents. Therefore, the investments in the Utah Public Treasurers' Fund (PTIF) and cash on deposit are considered to be cash equivalents.

Investments

Investments are comprised of various U.S. Government securities and certificates of deposit. Investments in U.S. Government securities as of December 31, 2019 consist of held-to-maturity securities. Held-to-maturity securities are reported at cost, adjusted for amortization of premiums and accretion of discounts that are recognized in interest income using the effective interest method over the period to maturity.

Investment Valuation

The Pool categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value:

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs;
- Level 3 inputs are significant unobservable inputs.

UTAH COUNTIES INDEMNITY POOL

Notes to Financial Statements

For the Year Ended December 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Paid in Advance

Contributions paid by members prior to January 1 of the next calendar year are considered to be deferred until January 1 and are reported as liabilities in the statement of net assets.

Ancillary Coverages

The Pool assists members in placing coverage for exposures not included in the coverage addendum, i.e., aircraft hull, airport liability, bonds, builder's risk, excess cyber liability, and workers compensation. The Pool does not receive any fees on monies collected for member coverage placement.

Contributions

Contributions are collected annually on January 1.

Capital Assets

Capital assets are defined by the Pool as assets with an initial individual cost of more than \$5,000. Capital assets are stated at cost less accumulated depreciation. Depreciation on furniture, equipment and electronic data processing equipment is provided over the estimated useful lives of the assets on the straight-line method. Useful lives vary from three to five years. Depreciation expense for the year ended December 31, 2019 amounted to \$2,887.

Net Asset Management

To assure that the Pool's assets are adequate without holding excessive net assets, the Pool manages net asset levels between 100% and 200% of annual revenue. Net assets should be controlled within a minimum of 50% and a maximum of 250% of annual revenue. The Pool utilizes a Rate Stabilization Fund and a Dividend Plan to manage net assets.

The Rate Stabilization Fund is utilized to designate surplus to fund unexpected increases in expenses, which necessitate increases in rates short term to allow rate increases to be made incrementally, or to negate temporary rate increases. The Rate Stabilization Fund is a Board-designated portion of unrestricted net assets to be deducted from the Total Net Assets (referred to as Unrestricted Net Position on the financial statements) when determining net assets available for payment of dividends to members and, as required by GASB, is reported as a designation only in the notes to the financial statements. The balance in the Rate Stabilization Fund at December 31, 2019 was \$200,000. The Dividend Plan is utilized by the Board to return excess net assets to members.

The Net Asset Management Plan indicates net assets should not exceed 250% of contributions unless the Pool has specific needs for such surplus, which may include the following: expectation of new membership; development of a new line of coverage; development of new or expanded coverage; or development of new or expanded services.

UTAH COUNTIES INDEMNITY POOL

Notes to Financial Statements

For the Year Ended December 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) including additions to and deductions from URS's fiduciary net position, have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the Pool reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the Pool reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Reserves for Losses and Loss Adjustment Expenses

The reserves for losses and loss adjustment expenses include an amount actuarially determined from individual case estimates and loss reports and an amount based on past experience for losses incurred but not reported. The liabilities are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors. Such liabilities are necessarily based on assumptions and estimates and while management believes that amounts are adequate, the ultimate liability may be in excess of or less than the amount provided.

The Pool's actuary provides a range of estimates of the reserves for losses and loss adjustment expenses at three levels of confidence: low (50% confidence), expected (66% confidence) and high (80% confidence). Accounting standards require the Pool to book the "expected" level of reserves on their financial statements, and does not allow for the Board to designate or delineate any other amount in the range on the financial statements. In consideration of their duty to protect public funds and the inability of the Pool to assess members if reserves are not adequate, the Board prefers to reserve for claims with greater confidence than the 66% "expected" level.

To accomplish this, while complying with audit standards, the Board has adopted as part of their Net Asset Management Plan a Claims Deterioration Fund, an amount voluntarily designated by the Board as Net Assets to be deducted from Total Net Assets (referred to as Unrestricted Net Position on the financial statements) when determining Net Assets available for payment of dividends to members.

UTAH COUNTIES INDEMNITY POOL

Notes to Financial Statements

For the Year Ended December 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reserves for Losses and Loss Adjustment Expenses (Continued)

In 2013, the Board approved designating \$430,000 into the Claim Deterioration Fund to assure these additional funds are available if the “expected” claim reserves are ultimately found to be inadequate to pay all liabilities of the Pool. The Board believes managing Net Assets in this manner protects members from large rate increases in the event claims experience does deteriorate. The balance in the Claims Deterioration Fund at December 31, 2019 was \$430,000.

Subsequent Events

Management of the Pool has evaluated subsequent events through the date of the audit report, which is also the date the financial statements were available to be issued. In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a “Public Health Emergency of International Concern.” The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including duration and spread of the outbreak. At this point, the extent to which COVID-19 may impact the Pool is uncertain.

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

Listed below is a summary of the cash and investment portfolios as of December 31, 2019. Investing is governed by the prudent man rule in accordance with statutes of the State of Utah. All investments of the Pool are considered to have been made in accordance with these governing statutes including the State Money Management Act.

Cash and Cash Equivalents

Cash and cash equivalents of the Pool are carried at cost. The carrying amount of the cash on deposit, net of outstanding checks, is \$3,152,388 as of December 31, 2019. The corresponding bank balance of the deposits was \$3,174,156 as of December 31, 2019.

All of the Pool’s cash on deposit bank accounts are noninterest-bearing. All noninterest-bearing and other depositors’ accounts will be aggregated and insured up to the standard maximum deposit insurance amount of \$250,000 for each deposit insurance ownership category.

The Public Treasurers’ Investment Fund (PTIF) is a pooled investment fund enabling public agencies to benefit from the higher yields offered on large denomination securities. The PTIF is similar in nature to a money market fund but the PTIF is subject to oversight by the State Money Management Council and all investments in PTIF are considered to be in compliance with the State Money Management Act.

The PTIF invests in corporate debt, U.S. Agency notes, certificates of deposit and commercial paper. The maximum final maturity of any security invested in by the PTIF is limited to five years.

UTAH COUNTIES INDEMNITY POOL

Notes to Financial Statements

For the Year Ended December 31, 2019

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Cash and Cash Equivalents (continued)

The maximum weighted average life of the portfolio is limited to 90 days. There is no maturity date on an entity's investment in the PTIF. PTIF deposits are not insured or otherwise guaranteed by the State of Utah.

Zions Capital Advisors (ZCA) is an investment advisory firm certified by the State Money Management Council and all investments with ZCA are in compliance with the State Money Management Act. The maximum final maturity of any security invested in by ZCA is limited to three years. ZCA investments are not insured or otherwise guaranteed.

As of December 31, 2019, the Pool's cash and cash equivalents and investments included the following:

	<u>2019</u>	<u>2018</u>
Cash on deposit	\$ 3,152,388	\$ 3,219,934
Public Treasurers' Investment Fund	9,446,929	8,602,694
Zions Capital Advisors	<u>1,297,132</u>	<u>90,988</u>
Total cash and cash equivalents	<u>13,896,450</u>	<u>11,913,616</u>
Investments - debt securities	955,881	2,095,563
Equity in County Reinsurance Limited	<u>3,397,129</u>	<u>2,249,933</u>
Total investments	<u>4,353,010</u>	<u>4,345,496</u>
Total cash and cash equivalents and investments	<u>\$ 18,249,460</u>	<u>\$ 16,259,112</u>

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Pool's bank balances exceeded FDIC coverage by \$2,924,156 as of December 31, 2019.

Investments and Capital Contributions

The Pool records its investments in U.S. Government Securities at market value. The Pool records capital contributions to County Reinsurance Limited (CRL) using the equity method of accounting. Under the equity method, the Pool recognizes its proportionate share of the net earnings or losses of CRL, which represents its share of the undistributed earnings or losses of CRL. Equity in CRL is confirmed annually.

All other investments are through the Public Treasurers' Investment Fund (PTIF).

UTAH COUNTIES INDEMNITY POOL

Notes to Financial Statements

For the Year Ended December 31, 2019

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments and Capital Contributions (continued)

As of December 31, 2019, the differences between book value and fair value, of the Pool's investments, are as follows:

	<u>Cost</u>	<u>Fair Value Gains</u>	<u>Fair Value Losses</u>	<u>Fair Value</u>	<u>Statement Value</u>
Securities	\$ 939,987	\$ 16,253	\$ (359)	\$ 955,881	\$ 955,881
Equity	2,749,933	647,196	-	3,397,129	3,397,129
Total investments	<u>\$ 3,689,920</u>	<u>\$ 663,449</u>	<u>\$ (359)</u>	<u>\$ 4,353,010</u>	<u>\$ 4,353,010</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Pool's policy for managing interest rate risk is to comply with the State Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. The Pool manages its exposure to declines in fair value by investing in the Public Treasurers' Investment Fund (PTIF) and other securities and by adhering to the Act.

As of December 31, 2019, the Pool's term to maturity of investment are as follows:

<u>Investment Type</u>	<u>Carrying Amount and Fair Value</u>	<u>Investment Maturities (in years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
Debt securities:			
Corporate bonds	\$ 755,381	\$ -	\$ 755,381
Mortgage backed securities	200,500	-	200,500
Total debt securities	<u>955,881</u>	<u>-</u>	<u>955,881</u>

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

UTAH COUNTIES INDEMNITY POOL

Notes to Financial Statements

For the Year Ended December 31, 2019

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Interest Rate Risk (Continued)

As of December 31, 2019, the Pool's investments' fair value measurements are as:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Asset class:				
Debt securities:				
Corporate bonds	\$ 755,381	\$ 755,381	\$ -	\$ -
Mortgage backed securities	200,500	200,500	-	-
Money market funds	1,297,132	-	1,297,132	-
Public Treasurers Investment Fund	9,446,929	-	9,446,929	-
Total	<u>\$ 11,699,942</u>	<u>\$ 955,881</u>	<u>\$ 10,744,061</u>	<u>\$ -</u>

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Pool's policy for limiting the credit risk of investments is to comply with the State Money Management Act.

Investments are categorized into these three categories of credit risk:

- Category One - Insured or registered, or securities held by the Pool or its agent in the Pool's name.
- Category Two - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Pool's name.
- Category Three - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, not in the Pool's name.

As of December 31, 2019, investments in debt securities in the amount of \$955,881 are considered to be Category Three securities. As of December 31, 2019, Public Treasurers' Investment Fund (PTIF) investments, including cash held for reinvestment, and equity in County Reinsurance Limited (CRL), in the total amount of \$14,141,190, are uncategorized investments or equity. The amount of uncategorized PTIF investments, restricted by the Money Management Council's Rule Four of the Money Management Act, is \$125,000.

UTAH COUNTIES INDEMNITY POOL

Notes to Financial Statements

For the Year Ended December 31, 2019

NOTE 3 INVESTMENT INCOME AND EQUITY

As of December 31, 2019, investment income and equity of the Pool is comprised of the following:

	<u>2019</u>
Investment income and equity:	
Bonds	\$ 53,136
Equity	647,196
Cash	<u>366,235</u>
Total investment income	<u>\$ 1,066,567</u>
Cash received:	
Cash	<u>\$ 366,235</u>
Total cash received	<u>366,235</u>
Noncash adjustments:	
Equity	647,196
Bonds	15,894
Change in accrued interest	30,765
Amortization	<u>6,477</u>
Total noncash adjustments	<u>700,332</u>
Total investment income	<u>\$ 1,066,567</u>

NOTE 4 INTEREST RATE

The interest rate for assets held with the Utah Public Treasurers' Investment Fund (PTIF) was 2.2849 percent as of December 31, 2019.

NOTE 5 CAPITAL ASSETS

The capital assets and related accumulated depreciation of the Pool are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets exempt from depreciation:				
Land	\$ 531,494	\$ -	\$ -	\$531,494
Total capital assets exempt from depreciation, net	<u>531,494</u>	<u>-</u>	<u>-</u>	<u>531,494</u>
Capital assets being depreciated:				
Office furniture and equipment	95,274	-	(7,141)	88,133
Total capital assets, being depreciated	<u>95,274</u>	<u>-</u>	<u>(7,141)</u>	<u>88,133</u>
Less accumulated depreciation for:				
Office furniture and equipment	(84,049)	(2,887)	3,060	(83,876)
Total accumulated depreciation	<u>(84,049)</u>	<u>(2,887)</u>	<u>3,060</u>	<u>(83,876)</u>
Total capital assets being depreciated, net	<u>99,464</u>	<u>(2,887)</u>	<u>3,060</u>	<u>99,637</u>
Total capital assets, net	<u>\$ 542,719</u>	<u>\$ (2,887)</u>	<u>(4,081)</u>	<u>\$535,751</u>

UTAH COUNTIES INDEMNITY POOL

Notes to Financial Statements

For the Year Ended December 31, 2019

NOTE 6 REINSURANCE

Effective 2003, the Pool has purchased only specific excess coverage. The agreement provides for liability insurance in excess of a \$250,000 self-insured retention and property and crime insurance in excess of a \$250,000 self-insured retention.

Estimated claims loss liabilities of the Pool are stated net of estimated losses applicable to reinsurance coverage ceded to other insurance companies of \$1,488,408 as of December 31, 2019. However, the Pool is contingently liable for those amounts in the event such companies are unable to pay their portion of the claims.

Effective 2019, the Pool contributed \$500,000 to take risk on a layer of property reinsurance at a level that should provide underwriting revenue while reducing reinsurance premiums. Underwriting revenue increased \$13,240 as of December 31, 2019.

Unsecured Reinsurance Recoverables

There are no letters of credit, trust agreements or funds withheld on reinsurance recoverables. The amount of \$1,223,870, as of December 31, 2019, exceeds three percent of the Pool's surplus and is considered unsecured recoverables on known claims.

Reinsurance Recoverable in Dispute

As of December 31, 2019, the Pool does not have any disputed balances or uncollectible funds.

NOTE 7 RETIREMENT PLANS

Pension Plans

Plan Description. Eligible plan participants are provided with pensions through the Utah Retirement Systems. Utah Retirement Systems are comprised of the following Pension Trust Funds:

- Public Employees Noncontributory Retirement System (Noncontributory System) is a multiple employer, cost sharing, public employee retirement system.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer, cost sharing, public employee retirement system.

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees, beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature.

UTAH COUNTIES INDEMNITY POOL

Notes to Financial Statements

For the Year Ended December 31, 2019

NOTE 7 RETIREMENT PLANS (CONTINUED)

Pension Plans (Continued)

The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. Utah Retirement Systems is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

Utah Retirement Systems issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E 200 S, Salt Lake City, UT 84102 or visiting the website: www.urs.org.

Benefits Provided. Utah Retirement Systems provides retirement, disability, and death benefits. Retirement benefits are as follows:

System	Final Average Salary	Years of Service Required	Benefit Percent per Year of Service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

* Actuarial reductions are applied.

** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

Contribution Rate Summary. As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah Retirement Systems Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability.

UTAH COUNTIES INDEMNITY POOL

Notes to Financial Statements

For the Year Ended December 31, 2019

NOTE 7 RETIREMENT PLANS (CONTINUED)

Pension Plans (continued)

Contribution rates as of December 31, 2019 are as follows:

	<u>Employee</u>	<u>Employer</u>	<u>Employer 401(k)</u>
Contributory System			
111 - Local Governmental Division Tier 2	N/A	15.66	1.03
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	18.47	N/A
Tier 2 DC Only			
211 Local Governments	N/A	6.69	10.00

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

For fiscal year ended December 31, 2019, the employer and employee contributions to the System were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 71,733	N/A
Tier 2 Public Employees System	6,736	-
Tier 2 DC Only System	3,434	N/A
Total Contributions	<u>\$ 81,903</u>	<u>\$ -</u>

Contributions reported are the Utah Retirement Systems Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

Combined Pension Assets, Liabilities, Expense, and Deferred Outflows and Inflows of Resources Related to Pensions.

At December 31, 2019, we reported a net pension asset of \$0 and a net pension liability of \$305,856.

(Measurement Date): December 31, 2018

	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>	<u>Proportionate Share</u>	<u>Proportionate Share December 31, 2017</u>	<u>Change (Decrease)</u>
Noncontributory System	\$ -	\$304,460	0.0413459%	0.0338797%	0.00254920%
Tier 2 Public Employees System	-	1,396	0.0032592%	0.0032876%	(0.0000284)%
	<u>\$ -</u>	<u>\$305,856</u>			

UTAH COUNTIES INDEMNITY POOL

Notes to Financial Statements

For the Year Ended December 31, 2019

NOTE 7 RETIREMENT PLANS (CONTINUED)

Pension Plans (continued)

The net pension asset and liability were measured as of December 31, 2018, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2018 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended December 31, 2019 the Pool recognized pension expense of \$87,760.

At December 31, 2019 we reported deferred outflows of resources and deferred inflows of resources relating to pensions for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,926	\$ 5,966
Changes in assumptions	\$ 41,136	\$ 25
Net difference between projected and actual earnings on pension plan investments	\$ 63,809	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 9,127	\$ 6,106
Contributions subsequent to the measurement date	\$ 81,903	\$ -
	<u>\$ 199,901</u>	<u>\$ 12,097</u>

The amount of \$81,903 was reported as deferred outflows of resources related to pensions results from contributions made by the Pool prior to fiscal year end, but subsequent to the measurement date of December 31, 2018.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2019	45,143
2020	19,907
2021	10,339
2022	30,238
2023	39
Thereafter	236

UTAH COUNTIES INDEMNITY POOL

Notes to Financial Statements

For the Year Ended December 31, 2019

NOTE 7 RETIREMENT PLANS (CONTINUED)

Pension Plans (continued)

Actuarial Assumptions. The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.50 percent
Salary increases:	3.25 - 9.75 percent, average, including inflation
Investment rate of return:	6.95 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables based on gender, occupation and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long Term expected portfolio real rate of return
Equity securities	40.00%	6.15%	2.46%
Debt securities	20.00%	0.40%	0.08%
Real assets	15.00%	5.75%	0.86%
Private equity	9.00%	9.95%	0.89%
Absolute return	16.00%	2.85%	0.46%
Cash and equivalents	0.00%	0.00%	0.00%
Totals	100.00%		4.75%
	Inflation		2.50%
	Expected arithmetic nominal return		7.25%

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50% and a real return of 4.45% that is net of investment expense.

UTAH COUNTIES INDEMNITY POOL

Notes to Financial Statements

For the Year Ended December 31, 2019

NOTE 7 RETIREMENT PLANS (CONTINUED)

Pension Plans (continued)

Discount Rate. The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the Utah Retirement Systems Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate remained unchanged at 6.95 percent.

Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 623,978	\$ 304,460	\$ 38,385
Tier 2 Public Employees System	5,592	1,396	(1,843)
Total	<u>\$ 629,570</u>	<u>\$ 305,856</u>	<u>\$ 36,542</u>

Defined Contribution Savings Plans. The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue Code. Detailed information regarding plan provisions is available in the separately issued Utah Retirement Systems financial report.

The Pool participates in the 401(k) Defined Contribution Savings Plan with the Utah Retirement Systems.

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for the fiscal year ended December 31, were as follows:

401(k) Plan	2019	2018	2017
Employer Contributions	\$ 15,296	\$ 10,082	\$ 6,574
Employee Contributions	\$ 21,321	\$ 14,000	\$ 15,840

UTAH COUNTIES INDEMNITY POOL

Notes to Financial Statements

For the Year Ended December 31, 2019

NOTE 7 RETIREMENT PLANS (CONTINUED)

Employer Participating Retirement Plans

The Pool contributes an amount equal to the amount contributed by the employee into a 401(k) plan and/or a 457(b) plan (administered by the Utah State Retirement Systems, as noted above) and/or a 457(b) plan (administered by Nationwide Retirement Solutions), not to exceed five percent of the employee's eligible payroll. The total retirement expense for the Nationwide Retirement Solutions plan for the Pool as of December 31, 2019, 2018, and 2017 was \$14,103, \$13,229 and \$12,607, respectively.

NOTE 8 UNPAID CLAIMS, LOSSES AND LOSS ADJUSTMENT EXPENSES

Reserves for incurred losses and loss adjustment expenses attributable to covered events of prior years has decreased by \$410,417 in 2019 as a result of re-estimation of unpaid losses and loss adjustment expenses.

This change is the result of ongoing analysis of recent loss development trends. Original estimates change as additional information becomes known regarding individual claims.

As of December 31, 2019, unpaid claims, losses and loss adjustment expenses of the Pool are as follows:

	<u>2019</u>
Beginning balance	\$ 9,350,613
Incurred loss:	
Current year	3,608,435
Prior years	<u>(\$1,260,179)</u>
Change in total incurred	<u>2,348,256</u>
Paid:	
Current year	823,552
Prior years	<u>1,935,121</u>
Total paid	<u>2,758,673</u>
Balance at December 31	<u><u>\$ 8,940,196</u></u>

NOTE 9 CONTINGENCIES

The Pool is subject to litigation from the settlement of claims contested in the normal course of business. The losses from the actual settlement of such unknown claims are taken into consideration in the computation of the estimated unpaid loss and loss adjustment expense liabilities.

REQUIRED SUPPLEMENTARY INFORMATION

UTAH COUNTIES INDEMNITY POOL
Schedule of Ten-Year Claims Development Information
For the Year Ended December 31, 2019

The following table illustrates how the Pool's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Pool as of the end of each of the past ten years. The rows of the table are defined as follows: (1) This line shows each fiscal year's net earned premiums, other operating revenues and interest income. (2) This line shows each year's other operating expenses including overhead and loss adjustment expenses not allocable to specific claims. (3) This line shows incurred losses and allocated loss adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred. (4) This section of ten rows shows the cumulative amounts paid as of the end of successive years for each policy year. (5) This section of ten rows shows how each policy year's net incurred claims increased or decreased as of the end of the successive years: this annual estimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known. (6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and show whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

	Fiscal and Policy Year Ended (in Thousands of Dollars)									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
(1) Earned premiums, other operating revenues and investment revenues, net of reinsurance	4,662	5,064	5,141	3,538	3,717	3,789	4,584	4,804	4,807	5,406
(2) Unallocated expense	-	-	-	-	-	-	-	-	-	-
(3) Estimated incurred claims and expenses, end of policy year:	2,876	3,129	3,619	3,152	3,666	3,066	3,273	3,554	3,337	3,608
(4) Net paid (cumulative) as of:										
End of policy year	584	995	347	586	1,344	894	833	793	910	824
One year later	932	1,542	1,538	1,377	1,549	1,017	1,045	1,291	1,215	-
Two years later	1,601	1,719	2,310	1,869	1,830	1,125	1,336	1,678	-	-
Three years later	2,500	2,153	2,637	2,386	2,103	1,275	1,756	-	-	-
Four years later	2,958	2,385	3,005	2,573	2,377	1,443	-	-	-	-
Five years later	3,256	2,615	3,160	2,600	2,698	-	-	-	-	-
Six years later	3,335	2,869	3,426	2,611	-	-	-	-	-	-
Seven years later	3,472	2,951	3,553	-	-	-	-	-	-	-
Eight years later	3,525	3,083	-	-	-	-	-	-	-	-
Nine years later	3,544	-	-	-	-	-	-	-	-	-
(5) Reestimated net incurred claims and expenses:										
End of policy year	2,876	3,129	3,619	3,152	3,666	3,066	3,273	3,554	3,337	3,608
One year later	3,188	3,472	4,246	3,907	3,627	2,781	4,002	4,050	2,983	-
Two years later	3,113	3,193	3,837	3,515	3,565	2,200	3,619	3,669	-	-
Three years later	3,612	3,080	3,650	3,169	3,109	1,775	2,788	-	-	-
Four years later	3,714	2,952	3,524	3,007	3,020	1,778	-	-	-	-
Five years later	3,570	2,991	3,476	2,742	3,206	-	-	-	-	-
Six years later	3,464	3,117	3,697	2,664	-	-	-	-	-	-
Seven years later	3,551	3,112	3,722	-	-	-	-	-	-	-
Eight years later	3,546	3,257	-	-	-	-	-	-	-	-
Nine years later	3,544	-	-	-	-	-	-	-	-	-
(6) Increase (decrease) in estimated net incurred claims and expenses from end of policy year	668	128	103	(488)	(460)	(1,288)	(485)	115	(354)	-

UTAH COUNTIES INDEMNITY POOL

Schedule of the Proportionate Share of the Net Pension Liability

(Utah Retirement Systems)

Measurement Date of December 31, 2018

For the Year Ended December 31, 2019

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Noncontributory Retirement System					
Proportion of the net pension liability (asset)	0.0413459%	0.0387967%	0.0393979%	0.0424078%	0.0412802%
Proportionate share of the net pension liability (asset)	\$ 304,460	\$ 169,980	\$ 252,983	\$ 239,964	\$ 179,248
Covered payroll	\$ 360,584	\$ 342,770	\$ 351,178	\$ 369,111	\$ 355,770
Proportionate share of the net pension liability (asset)	84.44%	49.59%	72.04%	65.01%	50.40%
as a percentage of its covered-employee payroll					
Plan fiduciary net position as a percentage					
of the total pension liability (asset)	87.00%	91.90%	87.30%	87.80%	90.20%
Tier 2 Public Employees Retirement System					
Proportion of the net pension liability (asset)	0.0032592%	0.0032876%	0.0044177%	0.0037343%	0.0039098%
Proportionate share of the net pension liability (asset)	\$ 1,396	\$ 290	\$ 493	\$ (8)	\$ (8)
Covered payroll	\$ 37,995	\$ 32,392	\$ 36,228	\$ 24,123	\$ 24,123
Proportionate share of the net pension liability (asset)	3.67%	0.90%	1.36%	-0.03%	-0.60%
as a percentage of its covered-employee payroll					
Plan fiduciary net position as a percentage					
of the total pension liability (asset)	90.80%	97.40%	95.10%	100.20%	103.50%

*In accordance with paragraph 81a of GASB Statement No. 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset). The Pool's 10-year schedule will be built prospectively. The schedule above is for the past five years.

UTAH COUNTIES INDEMNITY POOL
Schedule of Contributions
(Utah Retirement Systems)
For the Year Ended December 31, 2019

			Contributions in relation to the			Contributions as a percentage of	
	As of Fiscal year ended December 31,	Actuarial Determined Contributions	contractually required contribution	Contribution deficiency (excess)	Covered payroll	covered employee payroll	
Noncontributory System	2015	\$ 68,175	\$ 38,175	\$ -	\$ 369,111	18.47%	
	2016	64,862	64,862	-	351,178	18.47%	
	2017	63,310	63,310	-	342,770	18.47%	
	2018	66,600	66,600	-	360,584	18.47%	
	2019	71,733	71,733	-	388,378	18.47%	
Tier 2 Public Employees System*	2015	\$ 3,600	\$ 3,600	\$ -	\$ 24,123	14.92%	
	2016	5,402	5,402	-	36,228	14.91%	
	2017	4,846	4,846	-	32,392	14.96%	
	2018	5,832	5,832	-	37,995	15.35%	
	2019	6,736	6,736	-	43,178	15.60%	
Tier 2 Public Employees DC Only	2017	\$ 1,071	\$ 1,071	\$ -	\$ 16,010	6.69%	
	2018	3,297	3,297	-	49,281	6.69%	
	2017	\$ 1,071	\$ 1,071	\$ -	\$ 16,010	6.69%	
	2018	3,297	3,297	-	49,281	6.69%	
	2019	3,434	3,434	-	51,325	6.69%	

*Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.

Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. The schedule will be built prospectively. The schedule above is for the past four years. Contributions as a percentage of covered-payroll may be difference than the board certified rate due to rounding and other administrative practices.

UTAH COUNTIES INDEMNITY POOL
Notes to the Required Supplementary Information
(Utah Retirement Systems)
For the Year Ended December 31, 2019

Changes in Assumptions of the total pension liability

The assumptions and methods used to calculate the total pension liability remain unchanged from the prior year.

OTHER INDEPENDENT AUDITOR'S REPORTS

**Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance
And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With
Government Auditing Standards**

The Board of Directors
Utah Counties Indemnity Pool

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Pool, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements, and have issued our report thereon dated April 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pool's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pool's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Larson & Company, PC
Spanish Fork, Utah

April 10, 2020

**Independent Auditor's Report on Compliance and Report on
Internal Control Over Compliance as Required by the
State Compliance Audit Guide**

The Board of Directors
Utah Counties Indemnity Pool

Report on Compliance with General State Compliance Requirements

We have audited **Utah Counties Indemnity Pool's** compliance with the applicable general state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor that could have a direct and material effect on **Utah Counties Indemnity Pool** for the year ended December 31, 2019.

General state compliance requirements were tested for the year ended December 31, 2019 in the following areas:

- Budgetary Compliance
- Utah Retirement Systems
- Open and Public Meetings Act
- Treasurer's Bond
- Cash Management

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on **Utah Counties Indemnity Pool's** compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*.

Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on **Utah Counties Indemnity Pool**. An audit includes examining, on a test basis, evidence about the **Utah Counties Indemnity Pool** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements. However, our audit does not provide a legal determination of **Utah Counties Indemnity Pool's** compliance.

Opinion on General State Compliance Requirements

In our opinion, **Utah Counties Indemnity Pool**, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on **Utah Counties Indemnity Pool** for the year ended December 31, 2019.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance.

Report on Internal Control over Compliance

Management of **Utah Counties Indemnity Pool** is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered **Utah Counties Indemnity Pool's** internal control over compliance with the compliance requirements that could have a direct and material effect on **Utah Counties Indemnity Pool** to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and for each major state program and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of **Utah Counties Indemnity Pool's** internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a general state or major state program compliance requirement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with general state or major state program compliance requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Larson & Company, PC
Spanish Fork, Utah

April 10, 2020

Utah Counties Indemnity Pool

MANAGEMENT LETTER

For the Year Ended December 31, 2019





April 10, 2020

To the Board Members and Management
Utah Counties Indemnity Pool:

We have audited the financial statements of **Utah Counties Indemnity Pool** (the Pool) for the year ended December 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 19, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Pool are described in Note 1 to the financial statements. There were no new accounting policies adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the Pool during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Association's financial statements were:

Management's estimate of the reserves for losses and loss adjustment expenses is based on the actuarial opinion prepared by Mary Jean King, FCAS, CERA, MAAA, of By the Numbers Actuarial Consulting, Inc. We evaluated the key factors and assumptions used to develop the reserves for losses and loss adjustment expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of losses and loss adjustment expenses in Note 8 to the financial statements related to the Pool's reserves estimate.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 10, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Pool's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Schedule of Ten-Year Claims Development Information, the Schedule of the Proportionate Share of the Net Pension Liability, and the Schedule of Contributions, all of which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial

Board Members and Management

Utah Counties Indemnity Pool

April 10, 2020

statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Larson & Company, PC
Spanish Fork , Utah

Schedule of Findings and Recommendations – Current Year

Internal Control Findings – Current Year

IC-2019.1 – Claims records

Condition: During our claims testing, we noted 3 claims that had a difference between the amount recorded in the loss run and the sum of the files in the claim's folder. These differences were due to missing invoice support for one of the claim payments recorded in the loss run, and one claim being recorded twice in the loss run. We also noted one claim had the incorrect loss date recorded in the loss run. It appears the report date was errantly recorded as both the report date and the loss date in the loss run.

Criteria: Adequate internal controls would dictate that review procedures be in place to review and approve claims and loss runs, reconciling the two together. Adequate documentation should be retained for all claims.

Cause of condition: Oversight by management and staff.

Recommendation: We recommend that the Pool review the cause of the deviations and review controls/training related to these processes for potential control improvement.

Response of management: Management appreciates the auditor's review of claims and recommendations regarding adjustments to procedures or implementation of new procedures to ensure accurate documentation of claims.

After review of the conditions outlined by the auditor with staff, management has implemented additional training on the claims and accounting systems and has implemented additional internal control procedures which will reduce or eliminate these issues from recurring in the future.

State Compliance Findings – Current Year

There were no State Compliance Findings noted for the period.

Status of Findings – Prior Year

Internal Control Findings – Prior Year

There were no Internal Control Findings noted in the prior year.

State Compliance Findings – Current Year

There were no State Compliance Findings noted in the prior period.



Utah Counties Indemnity Pool

FINANCIAL STATEMENTS

Quarter Ending March 31, 2020

Utah Counties Indemnity Pool

First Quarter 2020 Financial Statements

To the Board of Directors:

I have compiled the accompanying, in-house prepared, unaudited account balances arising from cash transactions and from accrual transactions of the Utah Counties Indemnity Pool as of March 31, 2020 to the basic financial statements.

Sonya White

Chief Financial Officer

801-307-2113

sonya@ucip.utah.gov

Reviewed this _____ day of _____, 2020

By: _____

UTAH COUNTIES INDEMNITY POOL

STATEMENT of NET POSITION

Quarter Ended March 31, 2020

	<u>Mar 31, 2020</u>	<u>Dec 31, 2019</u>	<u>Mar 31, 2019</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 16,361,000	\$ 13,896,450	\$ 15,681,663
Short-term investments	399,894	402,361	999,198
Accounts receivable	20	-	-
Prepaid expenses	1,138,388	343,726	1,022,947
TOTAL CURRENT ASSETS	<u>17,899,302</u>	<u>14,642,536</u>	<u>17,703,807</u>
LONG TERM INVESTMENTS	1,592,647	553,520	3,043,851
CAPITAL CONTRIBUTIONS	3,397,129	3,397,129	-
PROPERTY AND EQUIPMENT	535,146	535,751	541,998
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	199,901	199,901	\$ 142,815
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 23,624,126</u>	<u>\$ 19,328,838</u>	<u>\$ 21,432,472</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Reserves for losses and loss adjustment expenses	\$ 8,940,196	\$ 8,940,196	9,350,613
Accrued expenses	155,315	140,399	122,820
Contributions paid in advance	5,187,857	1,112,359	5,073,473
TOTAL CURRENT LIABILITIES	<u>14,283,368</u>	<u>10,192,954</u>	<u>14,546,906</u>
NONCURRENT LIABILITIES			
Net pension liability	305,856	305,856	170,270
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	12,096	12,096	84,701
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>14,601,320</u>	<u>10,510,906</u>	<u>14,801,877</u>
NET POSITION			
Net investment in capital assets	529,241	529,241	541,998
Unrestricted	8,493,566	8,288,691	6,088,597
TOTAL NET POSITION	<u>9,022,806</u>	<u>8,817,931</u>	<u>6,630,595</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 23,624,126</u>	<u>\$ 19,328,838</u>	<u>\$ 21,432,472</u>

UTAH COUNTIES INDEMNITY POOL
STATEMENTS of REVENUES, EXPENSES, and CHANGES in NET POSITION
Quarter Ended March 31, 2020

	<u>Mar 31, 2020</u>	<u>Budget</u>	<u>Over Budget</u>	<u>% of Budget</u>
OPERATING INCOME				
Contributions	\$ 1,729,356	6,917,142	(5,187,787)	25%
Investment income	86,812	320,000	(233,188)	27%
Other income	2,831	10,000	(7,169)	28%
TOTAL OPERATING INCOME	<u>1,818,998</u>	<u>7,247,142</u>	<u>(5,428,144)</u>	<u>25%</u>
UNDERWRITING EXPENSES				
Losses and loss adjustment expenses	834,551	3,500,000	(2,580,997)	24%
Reinsurance coverage	476,338	1,900,000	(1,202,213)	25%
TOTAL UNDERWRITING EXPENSES	<u>1,310,888</u>	<u>5,400,000</u>	<u>(3,783,210)</u>	<u>24%</u>
ADMINISTRATION EXPENSES				
Directors	13,234	55,000	(41,766)	24%
Depreciation	605	3,000	(2,395)	20%
Risk management	17,109	70,000	(52,891)	24%
Public relations	983	22,000	(21,017)	4%
Office	14,768	100,000	(85,232)	15%
Financial / Professional Services	20,978	100,000	(79,022)	21%
Personnel	204,617	800,000	(595,383)	26%
TOTAL ADMINISTRATION EXPENSES	<u>272,294</u>	<u>1,150,000</u>	<u>(877,706)</u>	<u>24%</u>
TOTAL OPERATING EXPENSES	<u>1,583,182</u>			
NET OPERATING INCOME	<u>235,816</u>			
OTHER INCOME EXPENSES				
Unrealized loss on marketable securities	<u>(30,941)</u>			
TOTAL OTHER EXPENSES	<u>(30,941)</u>			
CHANGE IN NET POSITION	204,875			
NET POSITION AT BEGINNING OF YEAR	<u>8,817,931</u>			
NET POSITION AT END OF QUARTER	<u>\$ 9,022,806</u>			

UTAH COUNTIES INDEMNITY POOL
STATEMENTS OF CASH FLOWS
Quarter Ended March 31, 2020

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions collected	\$ 5,804,833	\$ 6,334,200
Other fees collected	2,831	11,172
Reinsurance paid	(1,271,001)	(1,840,783)
Losses and loss expenses paid	(834,551)	(2,578,451)
Cash paid to employees	(189,700)	(597,053)
Other administrative expenses paid	(67,072)	(311,109)
CASH FLOWS FROM OPERATING ACTIVITIES	<u>3,445,340</u>	<u>1,017,976</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,236,661)	(544,424)
Sale of investments	200,000	1,761,428
Capital contributions	-	(500,000)
Investment income	55,871	243,719
Purchase of capital assets	-	4,136
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(980,790)</u>	<u>964,858</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,464,550	1,982,834
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>13,896,450</u>	<u>11,913,616</u>
CASH AND CASH EQUIVALENTS AT END OF QUARTER	<u><u>\$ 16,361,000</u></u>	<u><u>13,896,450</u></u>
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH		
Change in net position	\$ 204,875	2,846,732
Adjustments to reconcile change in net position to		
Depreciation	605	2,886
Interest on investments	(86,812)	(419,371)
Net outflows of resources relating to pension	-	120,067
Fair value of equity/investments	30,941	(663,090)
Accounts receivable	(20)	1,987
Prepaid expenses	(794,663)	(48,544)
Reserves for loss and loss adjustment expenses	-	(410,417)
Accounts payable	-	-
Accrued expenses	14,916	23,243
Contributions paid in advance	4,075,498	(435,517)
Total adjustments	<u>3,240,465</u>	<u>(1,828,756)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ 3,445,340</u></u>	<u><u>1,017,976</u></u>

COMMUNICABLE DISEASE EXCLUSION AMENDMENT

This amendment attaches to and forms part of PART I PROPERTY.

Notwithstanding any other provision of this **Addendum** to the contrary, the **Pool** does not insure any loss, cost, damage or expense, arising out of, attributable to, or occurring concurrently or in any sequence with a COMMUNICABLE DISEASE.

As used herein, COMMUNICABLE DISEASE means any infectious or contagious substance:

- A.** Including, but limited to, a virus, bacterium, parasite or other organism or any mutation thereof, whether deemed living or not; and
- B.** Regardless of the method of transmission, whether direct or indirect, including but not limited to, airborne transmission, bodily fluid transmission, transmission from or to any surface or object, solid, liquid or gas or between humans, animals, or from any animal to any human or from any human to any animal,

That can cause or threaten damage to human health or human welfare or causes or threatens damage, deterioration, loss of value, marketability or loss of use to tangible or intangible property covered hereunder.

For avoidance of doubt, no coverage extension, additional coverage, global extension, exception to any exclusion or other coverage grant shall afford any coverage that would otherwise be excluded through this exclusion. For further avoidance of doubt, loss, cost, damage or expense, includes any cost to clean-up, detoxify, remove, monitor or test: (1) for a COMMUNICABLE DISEASE, or (2) any tangible or intangible property covered hereunder that is affected by such COMMUNICABLE DISEASE.

All other terms and condition of the **Addendum** remain the same.

UTAH COUNTIES INDEMNITY POOL

2019 DIVIDENDS

Beaver	\$ 4,255.20
Box Elder	\$ 19,344.30
Daggett	\$ 956.20
Duchesne	\$ 8,085.60
Five County	\$ 1,937.50
Garfield	\$ 4,088.40
Grand EMS	\$ 4,335.20
Iron	\$ 11,185.70
Juab	\$ 5,684.80
Juab Special	\$ 796.80
Kane	\$ 6,466.40
Millard	\$ 8,355.80
Morgan	\$ 1,989.80
Piute	\$ 1,018.10
Rich	\$ 1,339.00
San Juan	\$ 6,956.60
Sanpete	\$ 2,905.30
Sevier	\$ 5,181.50
Uintah	\$ 19,532.30
Washington	\$ 24,949.00
Wayne	\$ 1,362.60
Wayne Special	\$ 180.10
Weber	\$ 59,715.20
Weber HS	\$ 12,956.10
UCIP	\$ 69.40
TOTAL:	\$ 213,646.90



UTAH RETIREMENT SYSTEMS

560 East 200 South
Salt Lake City, Utah 84102-2099

DANIEL D. ANDERSEN—EXECUTIVE DIRECTOR

Telephone 801-366-7493 800-365-8772
Fax 801-328-7493

March 20, 2020

Sonya White
Utah Counties Indemnity Pool
5397 S. Vine Street
Murray UT 84107

Employer No. 864

Dear Ms. White:

We have completed the compliance review of Utah Counties Indemnity Pool's administration of the Utah Retirement Systems' Public Employees' Noncontributory Retirement System. Enclosed is the compliance review report.

We appreciate your efforts in assuring compliance with employer responsibilities in the administration of the Utah Retirement Systems' Public Employees' Retirement System.

Please call me at 800-365-8772, ext. 7493, or 801-366-7493 if you have any questions about the compliance review report.

Sincerely,

Beverly Snyder
Compliance Manager
Employer Services

Enclosure



UTAH RETIREMENT SYSTEMS

560 East 200 South
Salt Lake City, Utah 84102-2099

DANIEL D. ANDERSEN—EXECUTIVE DIRECTOR

Telephone 801-366-7493 800-365-8772
Fax 801-328-7493

COMPLIANCE REVIEW REPORT

Employer	Utah Counties Indemnity Pool 5397 S. Vine Street Murray UT 84107	Report Date	March 20, 2020
		Interview Conducted	March 19, 2020
Employer No.	864	Prepared By	Beverly Snyder
Contact	Sonya White		

Purpose

For this compliance review we examined Utah Counties Indemnity Pool's policies and procedures for administering the Utah Retirement Systems' (URS) Public Employees' Noncontributory Retirement System in accordance with Title 49, Utah State Retirement Law. Compliance requirements for the administration of the defined benefit plans includes: policies for defining eligibility for coverage; calculation, reporting, and payment of appropriate contributions; documentation processes for the enrollment, change in status, and leave periods of members; and management of plan related records for members.

Scope

This review covered the period of January 1, 2019, through February 29, 2020.

Summary

In conducting this review, we researched records and discussed policies and procedures with indemnity pool staff. We found the indemnity pool has policies and procedures in place and staff utilizes these policies in administering the URS Defined Benefit Plan.

The Retirement Office found no findings of non-compliance during the round 3 review.

Comments

The results of our review indicate indemnity pool staff administers the URS Public Employees' Noncontributory Retirement System. We assessed the following areas as part of the review:

A. Contribution Reporting

In testing Public Employee payroll records, we found indemnity pool staff reports appropriate types of compensation to URS. We commend staff for consistently reporting accurate contribution amounts to URS.

B. Status Notifications

We encourage indemnity pool staff to continue to use the Employee Management Center on the URS website when the employer hires an employee who will have a relationship with our office. This application notifies employer staff of an employee's status with URS. Knowing an employee's status with URS is important for all types of employees, especially if the employer were to hire a retiree receiving a benefit from our office. With the Employee Management Center, employer staff can print confirmation notices for their records.

C. Employer Training

Indemnity pool staff would continue to benefit from reviewing information and materials from URS and applying changes to the processes they manage as needed. The Retirement Office strives to provide educational opportunities to all employers. URS offers various trainings throughout the year, which are listed below.

Retirement Basics Plus	Semi-Annually, at URS office
Comprehensive Employer Training	Yearly, 13 locations across the state
<u>Monthly Webinars</u>	3 Rd Wednesday of each month
<u>How-To Videos</u>	Monthly 5-10-minute video on URS website tools

Final Remarks

The results of our review indicate that Utah Counties Indemnity Pool staff appears to meet compliance requirements in the administration of the URS Defined Benefit Plan. We commend staff for their efforts to comply with Title 49.

URS staff is available to help staff in their efforts of continued compliance in performing their defined benefit plan related responsibilities.

Resource Numbers	
Employer Services	801-366-7318
Retirement	801-366-7770
Defined Contribution	801-366-7720
Marketing: Investment Advice	801-366-7414
All Other	801-366-7700

This audit and the resulting report are intended as a general review of your current policies and procedures regarding retirement administration. It is not a certification or guarantee that there may not be errors or omissions that would need to be corrected in the future if discovered.

UCIP Board of Directors Strategic Planning

Kanab Center, 20 N 100 E, Kanab, UT

Wednesday, June 10

- 9:00 Breakfast on the Bus**
10:30 Private Tour of Amangiri, Canyon Point
12:30 Lunch, Wahweap Lake Powell
2:30 Free Time
5:30 Dinner, Iron Horse Restaurant

Thursday June 11

- 7:30 Breakfast**
8:00 Review of Policies
- Board Compensation
 - Board Meeting Rules of Order and Procedure Policy
 - Board Training
 - CEO Authority
 - Committees of the Board
 - Dividend
 - Electronic Meeting
 - GRAMA
 - Internal Accounting Controls
 - Investment
 - Minutes Recordings and Records
 - Net Asset Policy
 - Personal Use of Public Property
 - Personnel
 - Pre-Loss Legal Assistance Program
 - Purchasing
 - Records Retention
 - Reimbursement
 - Underwriting
- 12:00 Lunch**, Location TBD
Board Member Training
- Fiduciary Responsibilities of a Board Member
 - Open Meetings Act
- Management Reports**
- Claims
 - Financial
 - Equity/Loss Ratios/Profitability
 - Rating
- Committee Reports**
- Audit
 - Education
 - Law Enforcement
 - Litigation Management
 - Personnel
- Strategic Plan**
- Mission, Goals and Objectives
 - UAC/UCIP Relationship
 - Coverages and Services
 - Work Load (Staff, Board, Committees)
- 5:30 Dinner**, Location TBD

Friday, June 12

- 7:30 Breakfast**
8:30 Board Meeting
11:30 Lunch